MANAGEMENT'S DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

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

This Management's Discussion and Analysis covers the Corporation's main activities during the year ended December 31, 2018, and the major year-over-year changes. The Corporation's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This Management's Discussion and Analysis should be read in conjunction with the information in the consolidated financial statements for the financial year ended December 31, 2018.

BUSINESS SEGMENTS

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 ("MELS")** through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile unit and production equipment rental services, as well as dubbing, postproduction, visual effects and distribution services.

HIGHLIGHTS SINCE END OF 2017

- On February 22, 2019, the Corporation reached 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 customary conditions and is expected to close in the coming weeks.

- 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 agreed to on April 30, 2018 and approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") on January 14, 2019.

- On February 13, 2019, the Corporation renewed its $150,000,000 revolving credit facility, which matured on February 24, 2019, for one year, until February 24, 2020.

- On October 31, 2018, the collective agreement of the unionized employees in Montreal, which had come to term on December 31, 2016 and which covered about 71% of the Corporation's permanent unionized employees, was renewed for five years, expiring on December 31, 2021.

- On August 30, 2018, the CRTC rendered a decision following its review of previous decisions on the renewal of the television licences of the major private French-language broadcasting groups. The CRTC added two new conditions to the Corporation's licences, which are not expected to have any significant impact.

- On August 27, 2018, the Corporation acquired all of the common shares of Audio Zone Inc. for a cash purchase price totalling $2,050,000. Audio Zone Inc. offers sound postproduction services. Its results have been included in the results of the Corporation's Film Production & Audiovisual Services segment since the acquisition date.

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

- On May 3, 2018, the Corporation announced that "TVA Sports" will be the official French-language broadcaster of the 2020 UEFA European Football Championship (Euro 2020). The agreement allows "TVA Sports" to broadcast all 51 games of the prestigious international soccer tournament, in which Europe's 24 best national men's teams will compete.

- During the first quarter of 2018, the Corporation renewed its collective agreements with employees in Rimouski and Saguenay for four years. The new union contracts expire on December 31, 2019 and October 31, 2021 respectively.

- On February 16, 2018, QMI filed an application with the Federal Court of Appeal for leave to appeal the CRTC decision of January 17, 2018 with respect to the rate paid by BCE Inc. ("Bell") for distribution of "TVA Sports." On April 12, 2018, the Federal Court of Appeal denied the application.

- On January 26, 2018, the Corporation sold the assets associated with *The Hockey News* magazine to Roustan Media Ltd., owned by Graeme Roustan.

- On January 22, 2018, the Corporation acquired the assets of Mobilimage inc., essentially consisting of mobile units and production equipment, for $2,705,000. The acquired company's mobile units and production equipment rental activities have been incorporated into the Film Production & Audiovisual Services segment's operations since the acquisition date.

- On January 17, 2018, the CRTC issued its decision in the final offer arbitration concerning distribution of the mainstream sports service "TVA Sports" by the broadcasting distribution undertakings operated by Bell in

Quebec. The CRTC selected Bell's offer, which sets out per-subscriber wholesale rates for distribution of "TVA Sports" that are lower than the Corporation's expectations, for the period of September 1, 2016 to August 31, 2018.

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA (previously adjusted operating income (loss))

In its analysis of operating results, the Corporation defines adjusted EBITDA as 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. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted EBITDA may not be identical to similarly titled measures reported by other companies.

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

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

	Years ended December 31		Three-months ended December 31	
	2018	2017	**2018**	2017
Adjusted EBITDA:				
Broadcasting & Production	**$ 27,235**	$ 41,867	**$ 16,464**	$ 16,232
Magazines	**8,210**	10,020	**3,149**	2,482
Film Production & Audiovisual Services	**14,938**	14,494	**5,411**	4,254
	50,383	66,381	**25,024**	22,968
Depreciation of property, plant and equipment and amortization of intangible assets	**35,542**	34,874	**9,833**	8,365
Financial expenses	**2,477**	2,449	**610**	480
Operational restructuring costs and others	**2,433**	6,390	**2,276**	1,408
Impairment of goodwill and intangible assets	**–**	42,405	**–**	–
Tax expense (recovery)	**2,467**	(3,631)	**3,307**	3,493
Share of income of associated corporations	**(684)**	(445)	**(74)**	(117)
Non-controlling interest	**(164)**	290	**60**	129
Net income (loss) attributable to shareholders	**$ 8,312**	$ (15,951)	**$ 9,012**	$ 9,210

2018/2017 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $551,910,000, a decrease of $37,797,000 (-6.4%).

- $21,552,000 (-4.9%) decrease in the Broadcasting & Production segment (Table 2) essentially due to a 7.9% decrease in the segment's advertising revenues and decreased commercial production revenues at TVA Network due to lower volume of activities. These decreases were partially offset by a 1.0% increase in subscription revenues at the specialty channels.

- $16,875,000 (-17.8%) decrease in the Magazines segment (Table 2) due mainly to decreases of 30.7% in advertising revenues, 8.0% in newsstand sales and 10.1% in subscription revenues, on a comparable basis, combined with the impact on revenues of the sale of *The Hockey News* magazine in the first quarter of 2018.

- $1,374,000 (2.0%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to the addition of mobile unit rental activities following the acquisition of the assets of Mobilimage inc. in the first quarter of 2018, a 28.7% increase in revenues from postproduction activities and a 2.5% increase in revenues from soundstage and equipment rental. These increases were partially offset by lower revenues from the segment's other operations, including a 46.2% decrease in revenues from visual effects.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three-months ended December 31	
	2018	2017	**2018**	2017
Broadcasting & Production	**$ 417,597**	$ 439,149	**$ 113,259**	$ 117,016
Magazines	**77,708**	94,583	**20,827**	24,207
Film Production & Audiovisual Services	**68,447**	67,073	**19,049**	16,701
Intersegment items	**(11,842)**	(11,098)	**(2,669)**	(2,668)
	$ 551,910	$ 589,707	**$ 150,466**	$ 155,256

Adjusted EBITDA: $50,383,000, an unfavourable variance of $15,998,000 (-24.1%).

- $14,632,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 33.4% decrease in TVA Network's adjusted EBITDA, as well as a 24.9% increase in the "TVA Sports" channel's negative adjusted EBITDA, partially offset by an 8.0% increase in the adjusted EBITDA of the other specialty channels.

- $1,810,000 unfavourable variance in the Magazines segment (Table 3), essentially due to the above-noted decrease in operating revenues, which was partially offset by savings generated by the staff and expense rationalization plans implemented in recent quarters and the decrease in operating expenses associated with the sale of *The Hockey News* magazine in the first quarter of 2018.

- $444,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), caused primarily by the 17.7% increase in adjusted EBITDA from soundstage, mobile unit and equipment rental, as well as the improvement in adjusted EBITDA from postproduction services, partially offset by the decrease in adjusted EBITDA from the segment's other operations, including an increase in the negative adjusted EBITDA generated by visual effects.

Table 3
Adjusted EBITDA
(in thousands of dollars)

	Years ended December 31		Three-months ended December 31	
	2018	2017	**2018**	2017
Broadcasting & Production	**$ 27,235**	$ 41,867	**$ 16,464**	$ 16,232
Magazines	**8,210**	10,020	**3,149**	2,482
Film Production & Audiovisual Services	**14,938**	14,494	**5,411**	4,254
	$ 50,383	$ 66,381	**$ 25,024**	$ 22,968

Net income attributable to shareholders: $8,312,000 ($0.19 per basic and diluted share), compared with a net loss attributable to shareholders of $15,951,000 (-$0.37 per basic and diluted share) in the same period of 2017.

- The $24,263,000 ($0.56 per basic and diluted share) favourable variance was essentially due to:
    - recognition of a $42,405,000 charge for impairment of goodwill and intangible assets in 2017; and
    - a $3,957,000 favourable variance in operational restructuring costs and others;

partially offset by:

  - a $15,998,000 unfavourable variance in adjusted EBITDA; and

  - a $6,098,000 unfavourable variance in income tax.

- The calculation of earnings or loss per share was based on a weighted average of 43,205,535 outstanding diluted shares for the years ended December 31, 2018 and 2017.

Depreciation of property, plant and equipment and amortization of intangible assets: $35,542,000, a $668,000 (1.9%) increase. The increase stems primarily from greater investment in equipment for rental as well as the amortization of certain leasehold improvements related to unused premises following the introduction of rationalization plans in the Magazines segment, offset by a favourable variance in intangible assets, whereas in 2017, an amortization expense was recorded on certain intangible assets.

Financial expenses: $2,477,000, a slight $28,000 increase.

Operational restructuring costs and others: $2,433,000 in fiscal 2018, compared with $6,390,000 in 2017, a $3,957,000 decrease.

- In 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 gain on disposal of $2,936,000.

- During the same period, the Corporation posted $2,188,000 in operational restructuring costs in connection with the elimination of positions, including $606,000 in the Broadcasting & Production segment, $1,167,000 in the Magazines segment, and $415,000 in the Film Production & Audiovisual Services segment ($1,552,000 in 2017, including $816,000 in the Broadcasting & Production segment, $581,000 in the Magazines segment, and $155,000 in the Film Production & Audiovisual Services segment).

- In 2018, the Corporation also made a $2,015,000 upward adjustment in the allowance for onerous leases extending up to June 2022 for the addition of premises left unused following implementation of additional rationalization plans in the Magazines segment, compared with a $5,526,000 charge for onerous leases in that segment in 2017.

- In 2018, 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.

- During the same period, the Corporation recorded a $1,000,000 gain on the sale of *The Hockey News* magazine.

- In fiscal 2017, the Corporation had recognized a $740,000 gain in connection with the sale of a land.

Charge for impairment of goodwill and intangible assets: Nil for 2018 compared with a $42,405,000 impairment charge for 2017.

The continuing downward trend in operating revenues in the magazine industry led the Corporation to perform an impairment test on its Magazines cash-generating unit ("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.

Income tax expense: $2,467,000 (effective tax rate of 24.8%) in 2018 compared with an income tax recovery in the amount of $3,631,000 (effective tax rate of 18.4%) in the same period of 2017.

- In 2018, the effective tax rate was lower than the Corporation's statutory tax rate of 26.7%, primarily because of a $766,000 reduction in the Corporation's deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation, offset by the impact of the non-deductible portion of the charge for impairment of an investment in an associated corporation.

- In 2017, the effective tax rate was lower than the Corporation's statutory tax rate of 26.8%, primarily because of the non-deductible portion of the charge for impairment of goodwill and intangible assets, and permanent differences related to other non-deductible items.

Share of income of associated corporations: $684,000 in 2018, compared with $445,000 in 2017; the $239,000 increase was essentially due to the improved financial results of an associated corporation in the television industry.

Non-controlling interest: -$164,000 in 2018, compared with $290,000 in 2017; the $454,000 decrease was due to the net loss of a corporation in which a subsidiary of the Corporation holds a 51% interest, whereas net income had been recorded in 2017.

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: $417,597,000, a $21,552,000 (-4.9%) decrease primarily due to:

- an 8.0% decrease in TVA Network's advertising revenues;
- a 21.5% decrease in the "TVA Sports" channel's advertising revenues, due in large part to the second-quarter 2018 numbers and the Montreal Canadiens' failure to qualify for the National Hockey League ("NHL") playoffs; and
- a 12.7% decrease in commercial production revenues at TVA Network due to lower volume of activities;

partially offset by:

- an 8.4% increase in the combined advertising revenues of the other specialty channels, particularly "Prise 2" and "LCN," which grew by 45.5% and 8.6% respectively; and
- a 1.0% increase in subscription revenues at the specialty channels, compared with unfavourable retroactive adjustments recorded in the fourth quarter of 2017 following the CRTC decision on the rate payable by Bell for distribution of the "TVA Sports" channel and a downward revision by a BDU to the number of paying subscribers to two of the Corporation's specialty services during the period of September 1, 2015 to April 30, 2017.

French-language audience share

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

Year 2018 vs 2017			
	2018	**2017**	**Difference**
French-language conventional broadcasters:			
TVA	**23.7**	24.1	-0.4
SRC	**13.4**	13.0	0.4
V	**5.6**	6.4	-0.8
	42.7	43.5	-0.8
French-language specialty and pay services:			
TVA	**14.0**	13.1	0.9
Bell Media	**13.4**	14.2	-0.8
Corus	**7.7**	7.6	0.1
SRC	**4.7**	4.8	-0.1
Others	**5.8**	5.2	0.6
	45.6	44.9	0.7
Total English-language channels and others:	**11.7**	11.6	0.1
TVA Group	**37.7**	37.2	0.5

Source: Numeris - French Quebec, January 1 to December 31, 2018, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's total market share for the period of January 1 to December 31, 2018 was 37.7%, compared with 37.2% in the same period of 2017, a 0.5-point increase.

TVA Group's specialty services had a combined market share of 14.0% in 2018, compared with 13.1% in 2017, a 0.9-point increase. The "LCN" and "Prise 2" channels were responsible for the bulk of the growth, with increases of 0.6 and 0.5 points respectively. With a 5.1% share, "LCN" is the most-watched specialty channel in Quebec.

The "TVA Sports" channel posted a 0.3% decline in market share, due among other things to the Montreal Canadiens failing to make the NHL playoffs. The "Yoopa" channel posted a 0.2-point loss of market share, while the other specialty channels grew their market share by 0.1 point each.

TVA Network remains in the lead with a 23.7% market share, more than its two main over-the-air rivals combined. Programs such as *La Voix*, which attracted an audience of more than 2.0 million, and a number of original Quebec productions that passed the 1 million mark, including the new shows *Fugueuse* and *Révolution*, were drivers in TVA Network's success.

Operating expenses: $390,362,000, a $6,920,000 (-1.7%) decrease due primarily to:

- a 2.8% decrease in TVA Network's operating expenses because of various cost-cutting initiatives introduced to reduce the unfavourable variance in operating revenues along with lower volume of activities in commercial production as well as a favourable retroactive adjustment related to reproduction rights for musical works. The reductions were partially offset by an unfavourable adjustment in the cost of past services of a pension plan; and

- a 2.7% decrease in the operating expenses of the "TVA Sports" channel, essentially because of production and broadcast cost savings compared with 2017;

  partially offset by:

- a 3.2% increase in the operating expenses of the other specialty channels mainly due to increased spending on programming, particularly for "AddikTV" for which such investment is a condition of licence.

Adjusted EBITDA: $27,235,000, a $14,632,000 (-34.9%) unfavourable variance primarily due to:

- a 33.4% decrease in TVA Network's adjusted EBITDA; and
- a 24.9% increase in the negative adjusted EBITDA of "TVA Sports" essentially because of the decrease in advertising revenues, which outweighed the decline in operating expenses;

partially offset by:

- an 8.0% increase in the adjusted EBITDA of the other specialty channels.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment's activities (expressed as a percentage of revenues) increased from 90.5% in 2017 to 93.5% in 2018, essentially because of the decrease in the segment's operating revenues and the difficulty of reducing operating expenses by the same proportion.

Magazines

Operating revenues: $77,708,000, a $16,875,000 (-17.8%) decrease due mainly to:

- a 30.7% decrease in advertising revenues for comparable magazines, partly because of fewer issues of some monthly titles, particularly in the women's category;
- the sale of *The Hockey News* magazine;
- an 8.0% decrease in newsstand revenues for comparable magazines, mainly in the entertainment category;
- a 10.1% decrease in subscription revenues for comparable magazines, most substantially in the women's category.

Canada Periodical Fund

The Government of Canada launched the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 15.0% of the segment's operating revenues for fiscal 2018 (12.7% in 2017).

Readership and market share statistics

With more than 3.7 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec and a leading player in the Canadian magazine market with a total of over 9.2 million cross-platform readers. *7 Jours* is the leading entertainment and celebrity news magazine with 529,000 readers on all platforms per week.

Canada's lifestyle standard-setter *Canadian Living* reaches more than 3.7 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine on all platforms with nearly 1.4 million cross-platform readers.

Elle Canada was the country's top fashion and beauty magazine with more than 1.8 million readers on all platforms while *Clin d'oeil* was Quebec's most popular fashion and beauty magazine with 518,000 cross-platform readers.

Source: Vividata, Winter 2019, Canada total, 14+, cross-platform readership, October 1, 2017 to September 30, 2018.

Operating expenses: $69,498,000, a $15,065,000 (-17.8%) decrease due mainly to:

- cost savings resulting from decreased volume of activities, fewer issues of some monthly titles, and the savings generated by expense rationalization plans implemented in recent months;
- a decrease in operating expenses resulting from the sale of *The Hockey News* magazine; and
- a 15.3% decrease in operating expenses attributable to subscription cost savings, largely in distribution and in recruiting campaigns, on a comparable basis.

Adjusted EBITDA: $8,210,000, a $1,810,000 (-18.1%) unfavourable variance due mainly to the decrease in operating revenues, which outweighed the savings generated by staff and expense rationalization plans.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) were stable at 89.4% for 2017 and 2018.

Film Production & Audiovisual Services

Operating revenues: $68,447,000, a $1,374,000 (2.0%) increase due primarily to:

- the addition of mobile unit rental activities following the acquisition of Mobilimage in the first quarter of 2018;
- 28.7% growth in postproduction revenues, essentially due to:
  - higher volume in 2018 than in 2017; and
  - the addition of the activities of Audio Zone since August 27, 2018; and
- a 2.5% increase in soundstage and equipment rental revenues;

partially offset by:

- a 46.2% decrease in visual effects revenues due to lower volume of activities; and
- a 9.8% decrease in dubbing and subtitling revenues.

Operating expenses: $53,509,000, a $930,000 (1.8%) increase due primarily to:

- the addition of operating expenses related to mobile unit rental; and
- a 17.3% increase in operating expenses related to postproduction resulting from revenue growth;

partially offset by:

- a 17.8% decrease in operating expenses related to visual effects;

- a 5.2% decrease in operating expenses related to soundstage and equipment rental; and
- a 6.8% decrease in operating expenses related to dubbing and subtitling.

Adjusted EBITDA: $14,938,000, a $444,000 (3.1%) favourable variance due primarily to:

- a 15.8% increase in adjusted EBITDA from soundstage and equipment rental; and
- a positive rather than negative adjusted EBITDA with respect to postproduction activities;

partially offset by:

- a 113.0% increase in negative adjusted EBITDA related to visual effects services; and
- 24.4% lower adjusted EBITDA related to dubbing and subtitling.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased slightly from 78.4% in 2017 to 78.2% in 2018. The decrease was caused by higher operating revenues, which were slightly greater than the increase in operating expenses.

Acquisition of the assets of Mobilimage inc.

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

Acquisition of the shares of Audio Zone Inc.

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

2018/2017 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $150,466,000, a $4,790,000 (-3.1%) decrease.

- $3,757,000 (-3.2%) decrease in the Broadcasting & Production segment (Table 2) essentially due to a 7.9% decrease in the segment's advertising revenues and a 30.8% decrease in TVA Network's commercial production revenues, partially offset by a 12.3% favourable variance in subscription revenues of the specialty services as a result of various retroactive adjustments to subscriptions to "TVA Sports" and two other specialty channels in the fourth quarter of 2017.

- $3,380,000 (-14.0%) decrease in the Magazines segment (Table 2) due mainly to decreases of 23.7% in advertising revenues and 7.9% in newsstand sales, on a comparable basis, combined with the impact on revenues of the sale of *The Hockey News* magazine in the first quarter of 2018.

- $2,348,000 (14.1%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to an 87.8% increase in revenues from postproduction activities, a 9.8% increase in revenues from soundstage and equipment rental, as well as the addition of mobile unit rental activities following the acquisition of the assets of Mobilimage inc. in the first quarter of 2018. These increases were partially offset by lower revenues from the segment's other operations, including a 43.7% decrease in revenues from visual effects.

Adjusted EBITDA: $25,024,000, a $2,056,000 (9.0%) increase.

- $232,000 favourable variance in the Broadcasting and Production segment (Table 3) caused mainly by an increase in adjusted EBITDA from the specialty services as a result of unfavourable retroactive adjustments to operating revenues recorded in the fourth quarter of 2017, largely offset by the 37.0% decrease in TVA Network's adjusted EBITDA.

- $667,000 favourable variance in the Magazines segment (Table 3), essentially due to the implementation of staff and expense rationalization plans in recent quarters, partially offset by the above-noted decrease in operating revenues.

- $1,157,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), essentially due to an increase in adjusted EBITDA generated by soundstage and equipment rental, as well as favourable variances in postproduction activities, partially offset by an increase in negative adjusted EBITDA from visual effects and lower adjusted EBITDA from dubbing and subtitling.

Net income attributable to shareholders: $9,012,000 ($0.21 per basic and diluted share) for the fourth quarter of 2018, compared with $9,210,000 ($0.21 per basic and diluted share) in the same period of 2017.

- The slight $198,000 unfavourable variance was essentially due to:

    - a $1,468,000 unfavourable variance in depreciation and amortization expenses; and

    - a $868,000 unfavourable variance in operational restructuring costs and others;

    partially offset by:

    - a $2,056,000 increase in adjusted EBITDA.

- The calculation of earnings per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended December 31, 2018 and 2017.

Depreciation of property, plant and equipment and amortization of intangible assets: $9,833,000, a $1,468,000 (17.5%) increase from the same quarter of 2017 caused mainly by recognition of an amortization expense on certain leasehold improvements in the fourth quarter of 2018 related to unused premises following the implementation of rationalization plans in the Magazines segment, as well as increased spending on equipment for rental.

Financial expenses: $610,000, a $130,000 increase essentially due to recognition of a foreign exchange loss in the quarter ended December 31, 2018, compared with a foreign exchange gain in the same period of 2017, as well as lower interest revenues in the fourth quarter of 2018 than in the same period of 2017.

Operational restructuring costs and others: $2,276,000 in the three-month period ended December 31, 2018, compared with $1,408,000 in the same period of 2017, an $868,000 unfavourable variance.

- In the fourth quarter of 2018, the Corporation made a $2,184,000 upward adjustment to the allowance for onerous leases extending up to June 2022 for the addition of premises left unused following implementation of additional rationalization plans in the Magazines segment, compared with a $1,863,000 upward adjustment for onerous leases in that segment in the same period of 2017.

- During the three-month period ended December 31, 2018, the Corporation recorded $118,000 in operational restructuring costs in connection with the elimination of positions, including a $6,000 expense reversal in the Broadcasting & Production segment, and a $124,000 charge in the Magazines segment ($285,000 in the three-month period ended December 31, 2017, including $106,000 in the Broadcasting & Production segment, $161,000 in the Magazines segment and $18,000 in the Film Production and Audiovisual Services segment).

- During the fourth quarter of 2017, the Corporation also recognized a $740,000 gain in connection with the sale of a land, as noted in the 2018/2017 financial year comparison above.

Income tax expense: $3,307,000 (effective tax rate of 26.9%) in the fourth quarter of 2018, compared with $3,493,000 (effective tax rate of 27.5%) in the same period of 2017.

- In the fourth quarter of 2018, the effective income tax rate was slightly higher than the Corporation's statutory tax rate of 26.7%, mainly because of permanent differences related to non-deductible items.

- In the fourth quarter of 2017, the effective income tax rate was higher than the Corporation's statutory tax rate of 26.8%, mainly because of permanent differences related to non-deductible items.

Share of income of associated corporations: $74,000 in the fourth quarter of 2018, compared with $117,000 in the same period of 2017, a $43,000 unfavourable variance mainly due to the discontinued recognition of a share of the financial results of an associated corporation in the magazine industry, partially offset by better financial results of an associated corporation in the television industry in 2018 compared with 2017.

Non-controlling interest: $60,000 in the three-month period ended December 31, 2018 compared with $129,000 in the same period of 2017. The $69,000 decrease was due to a decrease in the net income of a corporation in which a subsidiary of the Corporation holds a 51% interest.

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: $113,259,000, a $3,757,000 (-3.2%) decrease due primarily to:

- a 7.9% decrease in TVA Network's advertising revenues;
- a 30.8% decrease in commercial production revenues at TVA Network due to lower volume of activities; and
- a 17.3% decrease in advertising revenues and a 5.1% decrease in subscription revenues, on a comparable basis, for the "TVA Sports" channel;

partially offset by:

- a favourable variance resulting from the recognition of an unfavourable retroactive adjustment in the fourth quarter of 2017 due to the CRTC decision on the rate payable by Bell for distribution of the "TVA Sports" channel for the period of September 1, 2016 to August 31, 2017;
- a favourable variance resulting from the recognition of another unfavourable retroactive adjustment in the fourth quarter of 2017 by a BDU to the number of paying subscribers to two of the Corporation's specialty services for the period of September 1, 2015 to April 30, 2017; and
- a 5.6% increase in the subscription revenues of the specialty services other than "TVA Sports" on a comparable basis.

French-language audience share

Table 5
French-language audience share
(Market share in %)

Fourth quarter 2018 vs Fourth quarter 2017			
	2018	**2017**	**Difference**
French-language conventional broadcasters:			
TVA	**23.1**	24.3	-1.2
SRC	**13.9**	14.5	-0.6
V	**5.7**	6.8	-1.1
	42.7	45.6	-2.9
French-language specialty and pay services:			
TVA	**13.5**	12.1	1.4
Bell Media	**14.2**	13.0	1.2
Corus	**6.9**	7.8	-0.9
SRC	**4.9**	4.6	0.3
Others	**6.6**	5.2	1.4
	46.1	42.7	3.4
Total English-language channels and others:	**11.2**	11.7	-0.5
TVA Group	**36.6**	36.4	0.2

Source: Numeris - French Quebec, October 1 to December 31, 2018, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group’s total market share for the period of October 1 to December 31, 2018 was 36.6%, compared with 36.4% in the same period of 2017, a 0.2-point increase. TVA Network’s market share decreased 1.2 points while the combined market share of the specialty services grew by 1.4 points from 12.1% to 13.5%.

The “LCN” channel’s market share increased by 0.5 points to 5.1%. The “Casa” and “MOI ET CIE” channels grew their market share by 0.4 and 0.1 points respectively, while the “TVA Sports,” “Prise 2” and “addikTV” channels grew by 0.2 points each. The “Yoopa” channel posted a 0.2-point loss. TVA Network remains in the lead with a 23.1% market share, more than its two main over-the-air rivals combined.

For the period of October 1 to December 31, 2018, TVA Network stood out among viewers with its new show *Révolution*, a competition featuring Quebec’s top dancers, as well as its original Quebec television series *L’Échappée*, *L’heure bleue*, *O’* and *Boomerang*, which all passed the million-viewer mark.

Operating expenses: $96,795,000, a $3,989,000 (-4.0%) decrease due primarily to:

- a 7.4% decrease in the operating expenses of the specialty services, including a 9.3% decline for “TVA Sports” essentially because of production and broadcast cost savings compared with the fourth quarter of 2017; and
- a 2.0% decrease in TVA Network’s operating expenses, essentially because of:
    - lower content and production costs;
    - a decrease in expenses related to commercial production services due to lower volume of activities; and

        - a favourable retroactive adjustment related to reproduction rights for musical works;

    partially offset by:

        - an unfavourable adjustment in the cost of past services of a pension plan.

Adjusted EBITDA: $16,464,000, a $232,000 (1.4%) favourable variance caused mainly by an increase in adjusted EBITDA from the specialty services as a result of unfavourable retroactive adjustments to operating revenues recorded in the fourth quarter of 2017, largely offset by the 37.0% decrease in TVA Network's adjusted EBITDA.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment's activities (expressed as a percentage of revenues) decreased slightly from 86.1% in the fourth quarter of 2017 to 85.5% in the same period of 2018. The decrease was mainly due to the fact that the decrease in operating expenses was slightly greater than the decrease in operating revenues.

Magazines

Operating revenues: $20,827,000, a $3,380,000 (-14.0%) decrease due primarily to:

- a 23.7% decrease in advertising revenues, on a comparable basis, partly because of fewer issues of some monthly titles, particularly in the women's category;
- the sale of *The Hockey News* magazine; and
- a 7.9% decrease in newsstand revenues for comparable magazines, mainly in the entertainment category.

Operating expenses: $17,678,000, a $4,047,000 (-18.6%) decrease due primarily to:

- cost savings resulting from decreased volume of activities, fewer issues of some monthly titles, and the staff and expense rationalization plans implemented in recent quarters;
- a decrease in operating expenses resulting from the sale of *The Hockey News* magazine; and
- a 19.0% decrease attributable to subscription cost savings, largely in distribution and in recruiting campaigns, on a comparable basis.

Adjusted EBITDA: $3,149,000, a $667,000 (26.9%) favourable variance due mainly to the savings generated by the staff and expense rationalization plans, which outweighed the decrease in operating revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) decreased from 89.7% in the fourth quarter of 2017 to 84.9% in the same period of 2018. The decrease was mainly due to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

Film Production & Audiovisual Services

Operating revenues: $19,049,000, a $2,348,000 (14.1%) increase due primarily to:

- 87.8% growth in postproduction revenues, essentially due to:
    - higher volume in the fourth quarter of 2018 than in the same period of 2017; and
    - the addition of Audio Zone activities;
- a 9.8% increase in soundstage and equipment rental revenues;

- the addition of mobile unit rental activities following the acquisition of Mobilimage in the first quarter of 2018;

partially offset by:

- a 43.7% decrease in visual effects revenues.

Operating expenses: $13,638,000, a $1,191,000 (9.6%) increase due primarily to:

- a 63.0% increase in operating expenses related to postproduction because of the factors noted in the discussion of the increase in operating revenues; and

- the addition of mobile unit rental activities in the first quarter of 2018; and

partially offset by:

- a 10.8% decrease in operating expenses related to soundstage and equipment rental; and

- a 17.3% decrease in operating expenses related to visual effects due to lower volume of activities.

Adjusted EBITDA: $5,411,000, a $1,157,000 (27.2%) favourable variance due primarily to an increase in adjusted EBITDA generated by soundstage and equipment rental, as well as postproduction activities, partially offset by an increase in negative adjusted EBITDA from visual effects and lower adjusted EBITDA from dubbing and subtitling.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 74.5% in the fourth quarter of 2017 to 71.6% in the fourth quarter of 2018. The decrease was caused by higher operating revenues, which outweighed the increase in operating expenses.

2017/2016 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2017 and 2016:

Table 6
Comparative consolidated results for 2017 and 2016
(in thousands of dollars)

	Years ended December 31	
	2017	2016
Operating revenues:		
Broadcasting & Production	$ 439,149	$ 427,627
Magazines	94,583	115,829
Film Production & Audiovisual Services	67,073	59,320
Intersegment items	(11,098)	(11,910)
	$ 589,707	$ 590,866
Adjusted EBITDA:		
Broadcasting & Production	$ 41,867	$ 22,379
Magazines	10,020	13,830
Film Production & Audiovisual Services	14,494	9,192
	$ 66,381	$ 45,401
Total assets	$ 546,232	$ 586,608
Non-current liabilities	65,131	75,936

SEGMENTED TREND ANALYSIS FOR YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

Broadcasting & Production

Operating revenues

The Broadcasting & Production segment has recorded a decrease in operating revenue in the order of 2.3% over the past three years. The decrease derived mainly from TVA Network, with a 6.4% drop in advertising revenues and lower volume of commercial production activities. The declines were partially offset by 6.3% growth in combined operating revenues at the specialty channels, where advertising revenues increased by 8.9% and subscription revenues grew by 5.3% despite the closure of the "Argent" channel in 2016. The "TVA Sports" channel accounted for most of the growth with a 6.1% increase in operating revenues. The "Prise 2," "LCN", "MOI ET CIE" and "addikTV" specialty services also grew their revenues by 23.6%, 6.0%, 17.0% and 7.0% respectively. Television audience fragmentation across all content delivery platforms, including the Internet and video on demand, is forcing the Broadcasting & Production segment to adopt new strategies and diversify its revenue sources to its specialty channels and the TVA.ca platform, among others. During the period, TVA Group was also able to increase its market share by 2.2 points to 37.7%. The combined market share of the specialty services increased by 2.3 points while TVA Network's market share decreased slightly by 0.1 point.

Adjusted EBITDA

The segment's adjusted EBITDA has increased by 21.7% since 2016. The increase stems primarily from the "TVA Sports" channel, which recorded a 44.7% decrease in its negative adjusted EBITDA as a result of lower operating expenses due to savings on production and broadcast costs for the World Cup of Hockey tournament in 2016 and an increase in operating revenues. The adjusted EBITDA of the other specialty channels increased by 16.5%, mainly as a result of higher operating revenues, partially offset by a 4.0% increase in operating expenses despite the closure of the "Argent" channel due partly to greater spending on programming. The adjusted EBITDA of TVA Network dropped by 32.9% during the period because the decrease in its operating revenues exceeded the decrease in its operating expenses.

Magazines

Operating revenues

The segment's operating revenues decreased by 32.9% during the period. The decrease was caused essentially by lower advertising, subscription and newsstand revenues on a comparable basis, lower custom publishing revenues, and the sale and discontinuation of some titles. The downtrend in advertising revenues, which has affected the entire Canadian magazine industry, led to recognition of a $42,405,000 non-cash charge for impairment of goodwill and certain intangible assets in the Magazines CGU in 2017 and a $40,100,000 non-cash goodwill impairment charge in the same CGU in 2016.

Adjusted EBITDA

The segment's adjusted EBITDA has decreased by 40.6% since 2016 despite the discontinuation of some unprofitable titles and the implementation of a number of staff and expense rationalization plans in recent quarters to offset the substantial decrease in operating revenues in this segment. TVA Group remains the largest magazine publisher in Quebec.

Film Production & Audiovisual Services

Operating revenues

The acquisition of substantially all of the assets of A.R. Global Vision Ltd. on December 30, 2014 enabled the Corporation to diversify its revenue streams. The Film Production & Audiovisual Services segment has recorded 15.4% operating revenue growth over the past three years. The growth derives primarily from a 30.4% increase in revenues from soundstage and equipment rental as well as the addition of mobile unit rental activities since the acquisition of the assets of Mobilimage inc. on January 22, 2018. It was partially offset by lower operating revenues from visual effects. Soundstage and equipment rental accounted for 56.5% of segment revenues in 2018, compared with 49.9% in 2016. The lower operating revenues from soundstage and equipment rental in 2016 were due to last-minute cancellation of a major production, causing a shortfall which the Corporation was unable to make up in its entirety. Postproduction activities posted lower operating revenues compared with 2016 despite the acquisition of Audio Zone on August 27, 2018, while dubbing and subtitling as well as distribution activities recorded combined growth of 7.0% in 2018 compared with 2016.

Adjusted EBITDA

The segment's profit margin was 15.5% in 2016, 21.6% in 2017 and 21.8% in 2018. The aforementioned last-minute cancellation of a major production was also responsible for the lower adjusted EBITDA and profit margin in 2016.

CASH FLOWS AND FINANCIAL POSITION

Table 7 below shows a summary of cash flows related to operating, investing and financing activities:

Table 7
Summary of the Corporation's cash flows
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2018	2017	**2018**	2017
Cash flows related to operating activities	**$ 25,133**	$ 33,289	**$ 4,479**	$ 2,373
Additions to property, plant and equipment and intangible assets	**(16,852)**	(23,416)	**(3,558)**	(4,439)
Disposal of property, plant and equipment and intangible assets	**3,723**	740	**–**	740
Business acquisitions	**(4,755)**	–	**(24)**	–
Net change in investments	**195**	350	**–**	–
Others	**(887)**	(31)	**(49)**	(41)
Reimbursement (increase) of net debt	**$ 6,557**	$ 10,932	**$ 848**	$ (1,367)

	December 31, 2018	December 31, 2017
At period end:		
Long-term debt	**$ –**	$ 52,708
Short-term debt	**52,849**	9,844
Less: cash	**(18,112)**	(21,258)
Net debt	**$ 34,737**	$ 41,294

Operating activities

Cash flows provided by operating activities: $8,156,000 decrease in 2018 due mainly to a $15,998,000 decrease in adjusted EBITDA, partially offset by a $4,306,000 decrease in income taxes payable and a $3,957,000 decrease in operational restructuring costs and others.

Working capital: $7,366,000 for TVA Group as of December 31, 2018, compared with $32,368,000 at December 31, 2017, an unfavourable variance of $25,002,000, mainly due to presentation of the entire debt under current liabilities given its maturity in November 2019, partially offset by favourable variances in accounts receivable and current tax liabilities, and in accounts payable and accrued liabilities.

Investing activities

Net additions to property, plant and equipment and to intangible assets: $16,852,000 in 2018 compared with $23,416,000 in 2017. The $6,564,000 (-28.0%) decrease was essentially due to a decrease in budgeted capital projects for 2018.

During fiscal 2018, the Corporation made investments in technical equipment, equipment for rental, and its digital infrastructure.

Disposal of property, plant and equipment and of intangible assets: $3,723,000 in 2018 compared with $740,000 in 2017. In July 2018, the Corporation closed the sale of a building in Quebec City for net proceeds on disposal of $3,528,000, whereas in 2017 the Corporation sold a land for proceeds on disposal of $740,000.

Business acquisitions: $4,755,000 in 2018 (see "Acquisition of the assets of Mobilimage inc." and "Acquisition of the shares of Audio Zone Inc." above).

Net change in investments: $195,000 in fiscal 2018 compared with $350,000 in 2017. In 2018, the Corporation received $293,000 related to an investment in an associated corporation and made a $98,000 capital contribution to ROC Television. In 2017, the Corporation also received $293,000 related to an investment in an associated corporation, as well as a $57,000 liquidation dividend related to a portfolio investment.

Financing activities

Long-term debt (excluding deferred financing costs): $52,939,000 as at December 31, 2018, compared with $62,839,000 at December 31, 2017. The $9,900,000 reduction essentially reflects quarterly capital repayments on the term loan.

Financial position as at December 31, 2018

Net available liquid assets: $168,112,000, consisting of a $150,000,000 unused and available revolving credit facility and $18,112,000 in cash.

As at December 31, 2018, all $52,939,000 in principal was payable on the debt during the coming fiscal year.

The weighted average term of TVA Group's debt was approximately 0.8 year as of December 31, 2018 (1.6 years as of December 31, 2017) and the entire debt is therefore included in current liabilities at the end of this fiscal year. The debt consisted entirely of floating-rate debt as of December 31, 2018 and 2017.

The Corporation also has a $150,000,000 revolving credit facility, which was renewed on November 3, 2014 and matured on February 24, 2019. The facility was extended for one year on February 13, 2019 and now matures on February 24, 2020. As at December 31, 2018 and 2017, there were no drawings on the revolving credit facility.

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

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at December 31, 2018, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2018

Table 8
Consolidated balance sheets of TVA Group
Analysis of main variances between December 31, 2018 and December 31, 2017
(in thousands of dollars)

	Dec. 31, 2018	Dec. 31, 2017	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 151,715**	$ 144,913	$ 6,802	Impact of billing a corporation under common control for broadcast rights sub-licences.
Property, plant and equipment	**187,116**	200,510	(13,394)	Impact of decreased investment in 2018 and of an impairment charge recorded during fiscal 2018.
Liabilities				
Income tax	**$ 782**	$ 6,314	$ (5,532)	Impact of payment of current income tax balances for 2017 and lower taxable income in 2018.
Short-term debt	**52,849**	9,844	43,005	Impact of presentation of entire debt under current liabilities given its maturity in November 2019, as well as quarterly capital repayments.
Long-term debt	–	52,708	(52,708)	Impact of presentation of entire debt under current liabilities given its maturity in November 2019.

ADDITIONAL INFORMATION

Contractual obligations

As of December 31, 2018, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 9.

Table 9
Material contractual obligations of TVA Group as of December 31, 2018
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 52,939	$ –	$ –	$ –	$ 52,939
Payment of interest[1]	1,960	–	–	–	1,960
Broadcast rights	174,796	173,448	143,526	171,249	663,019
Other commitments	17,729	13,831	3,550	2,126	37,236
Total	**$ 247,424**	**$ 187,279**	**$ 147,076**	**$ 173,375**	**$ 755,154**

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

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

Pension plan contributions

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).

Related party transactions

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

The Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associated corporations in the aggregate amount of $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 corporations under common control and associated corporations 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 to the parent corporation in the amount of $3,420,000 in 2018 and 2017.

Off-balance sheet arrangements

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.

Capital stock

Table 10 below presents information on the Corporation's capital stock. In addition, 310,000 Class B stock options of the Corporation were outstanding as of February 15, 2019.

Table 10
Number of shares outstanding as at February 15, 2019
(in shares and dollars)

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

Risks and uncertainties

The Corporation operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Corporation's operating environment and financial results may be materially affected. These risks are not the only ones that may affect the Corporation. Other risks and uncertainties, of which the Corporation is unaware, or deems negligible at this time, could also have a considerable negative impact on its financial position, operating results, cash flows or its activities.

Risks related to seasonality and fluctuation of results of operations

The Corporation's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Corporation serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Corporation's financial results. In addition, the Broadcasting & Production segment has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits.

Consequently, results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flow from operations may also fluctuate and are not necessarily closely correlated with revenue recognition. In particular, results of operations in any period depend to a large extent upon the production and delivery schedule of television programs and film projects.

The operating results of the Film Production & Audiovisual Services segment have varied in the past, and may vary in the future, depending on factors such as the timing of new service introductions, the timing of revenue recognition of longer term projects, increased competition, the ability of customers to finance projects, general economic factors and other factors. The Film Production & Audiovisual Services segment's operating results have historically been significantly influenced by the volume of business from the motion picture industry, which is an industry that is subject to seasonal and cyclical downturns, and, occasionally, work stoppages by actors, writers and others. A few customers represent a large part of the Film Production & Audiovisual Services segment's operating revenues, impacting the ability to forecast revenue in a particular quarter.

In addition, because the Corporation's operations are labour intensive, its cost structure is highly fixed and improvements in the flexibility and competitiveness of its cost structure may be difficult to achieve. During periods of economic contraction, revenues may decrease while the cost structure remains stable, resulting in decreased income. Similarly, fixed costs, including costs associated with grid programming and television content, leases, labour, depreciation and amortization expenses, account for a significant portion of the Corporation's business expenses. As a result of increases in grid programming and television content costs, lease rates, labour costs or capital expenditures, the financial results of the Corporation may be adversely affected.

Competition risks

Competition for advertising, customers, viewers, listeners, readers, and consumers is intense and comes from conventional television stations and networks, specialty services, radio, local, regional and national newspapers, magazines, direct mail, and other traditional and non-traditional communications and advertising media that operate in the Corporation's markets. The Corporation expects competition to persist, intensify and increase in each of its business areas in the future. Added competition in the market could result in reduced advertising sales and subscribers or an increase in costs to acquire programming and, consequently, have a negative impact on revenues. Competitors include both private companies and government-owned players, some of which have longer operating histories, greater name recognition, larger installed customer bases and greater financial, technical, marketing and other resources than the Corporation. As a result, they may be able to respond more quickly to new or changing opportunities, technologies, standards or customer requirements. Moreover, publicly owned stations benefit from strong financial support from governments, while also maintaining access to the advertising market and funding available for Canadian programming. In addition, increasing consolidation in the Canadian media industry is creating competitors with interests in multiple industries and media. The resources of some competitors may also give them an advantage in acquiring other businesses or assets that the Corporation might also be interested in acquiring. For all of the foregoing reasons, there can be no assurance that the Corporation will be able to compete successfully against current or future competitors. Such competition could materially adversely affect the Corporation's business, operating results or financial condition.

Soundstage and equipment rental, postproduction and visual effects is a highly competitive, service-oriented business. The Corporation does not always have long-term or exclusive service agreements with its clients. Business is generally awarded based on customer satisfaction with reliability, availability, quality and price. There can be no assurance that the Corporation will be able to respond effectively to the various competitive factors affecting soundstage and equipment rental, postproduction and visual effects services.

The Corporation competes with a variety of soundstage and equipment rental, postproduction and visual effects firms, some of which have a national presence, and, to a lesser extent, the in-house operations of those major motion picture studios. Some of these firms and studios have greater financial marketing resources and have achieved a higher level of brand recognition than the Corporation has. In the future, the Corporation may not be able to compete effectively against these competitors merely on the basis of reliability, availability, quality and price or otherwise. The Corporation may also face competition from companies in related markets that could offer similar or superior services to those offered by the Corporation. An increasingly competitive environment and the possibility that customers may utilize in-house capabilities to a greater extent could lead to a loss of market share or price reductions, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods

The arrival of new technologies and proliferation of available distribution platforms in the markets in which the Corporation operates – including video on demand, the Internet, personal video recorders, smartphones, tablet computers, and HD, 3D and 4K television – also influences its operations. The entertainment industry in general continues to undergo significant developments as advances in technologies and new methods of product delivery and storage, or certain changes in consumer behavior driven by these developments, emerge. Consumers are spending an increasing amount of time on the Internet and on mobile devices and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These technologies and business models may increase audience fragmentation, reduce the Corporation's ratings or have an adverse effect on advertising revenues from local and national audiences. If the Corporation cannot successfully exploit these and other emerging technologies, it could have a material adverse effect on its business, financial condition, results of operations, liquidity and prospects.

The Film Production & Audiovisual Services segment is also heavily dependent on technological change. The systems and equipment utilized by the Corporation in providing certain services to customers are subject to rapid technological change, as well as evolving customer needs and industry standards. In addition, competitors may introduce services embodying new technology, which could render the Corporation's existing services less marketable or obsolete. To remain competitive, the Corporation must ensure that its offering integrates the latest technology developed in the industry, including animation tools and techniques.

To accomplish this, it can either develop these capabilities by upgrading its proprietary software, which can result in substantial research and development costs, or it can seek to purchase third-party licences, which can also result in significant expenditures. In the event the Corporation seeks to develop these capabilities internally, there is no guarantee that it will be successful in doing so. In the event the Corporation seeks to obtain third-party licences, it cannot guarantee that they will be available or, once obtained, will continue to be available on commercially reasonable terms, or at all.

There can be no assurance that the Corporation will be able to conceive, develop, or acquire technological innovations successfully or that the Corporation's competitors will not successfully implement features or products of their own that are equivalent or superior to those of the Corporation or that make its technologies obsolete. Moreover, the cost associated with developing or acquiring new technology can be significant. There can be no assurance that the Corporation will have sufficient capital or be able to obtain sufficient financing to fund such capital expenditures, or that these costs will not have a material adverse effect on its financial condition and results of operations.

Risk of loss of key customers in the Film Production & Audiovisual Services segment

The Film Production & Audiovisual Services segment's primary customers are major motion picture studios and independent filmmakers. Historically, a material percentage of the Film Production & Audiovisual Services segment's operating revenues in each year have been derived from a limited number of customers, several of whom are foreign customers, whose loyalty to Canada may be tested when presented with more favourable production environments outside Canada. The Corporation still expects that a high percentage of the Film Production & Audiovisual Services segment's revenues for the foreseeable future will continue to come from a relatively small number of customers.

The Corporation does not always have long-term or exclusive service agreements with its Film Production & Audiovisual Services segment's customers. Business is based primarily on customer satisfaction with reliability, availability, quality and price. The Corporation is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that the Corporation will be able to develop relationships with new customers.

Many of the major studios and other key customers of the Corporation have substantial capabilities to perform several or all of the services performed by the Film Production & Audiovisual Services segment. These customers periodically re-evaluate their decisions to outsource these services rather than perform them in-house. A decision by key customers to move services they currently purchase from the Corporation in-house could have a material adverse effect on the

Corporation's results of operations and financial condition. The Corporation can give no assurance that it will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

Risks related to the Corporation's ability to meet the demands of its customers

The Corporation's Film Production & Audiovisual Services segment is dependent on its ability to meet the current and future demands of its customers, which include reliability, availability, quality and price. Any failure to do so, whether or not caused by factors within its control, could result in the loss of clients. There is no assurance that claims would not be asserted and dissatisfied customers may refuse to place further orders in the event of a significant occurrence of loss as a result of a failure by the Corporation to meet its customers' expectations with respect to reliability, availability, quality and price, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects. The Corporation's ability to deliver services within the time periods requested by customers depends on a number of factors, some of which are outside of its control, including equipment failure, work stoppages or interruption in services by third-party providers, including telephone, Internet or satellite service providers. In addition, because the Corporation is dependent upon a large number of software applications and hardware for postproduction and visual effects services, an error or defect in the software, a failure in the hardware, a failure of backup facilities or a delay in delivery of products and services could result in significantly increased costs for a project, and therefore losses to the Corporation's clients.

Risks related to the launch of new specialty services and derivative products

The Corporation is investing in the launch of new specialty services and derivative products in the Broadcasting & Production segment. During the period immediately following the launch of a new specialty service or derivative product, revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Risks related to changes in economic conditions

The revenues and operating results of the Corporation are and will continue to be influenced by the general economic environment and depend on the relative strength of the economy in its markets, as well as local, regional and national economic factors, since those affect the levels of television and magazine advertising revenues as well as the volume of work available from the film and television industries in Canada and the U.S. An economic slowdown or a recession in the Canadian or U.S. economy could adversely affect key national advertising accounts, as buyers of advertising have historically reduced their advertising budgets during economic slowdowns. In addition, the deterioration of economic conditions could adversely affect payment patterns, which could increase the bad debt expense. During an economic downturn, there can be no assurance that operating results and revenues, outlook, prospects and financial condition would not be adversely affected.

Risks related to the possibility that the Corporation's content may not attract large audiences and to audience fragmentation, limiting the Corporation's ability to generate advertising revenues.

Broadcasting operating revenues are derived in large part from advertising revenues. Advertising revenues are largely dependent upon audience acceptance, which is in large part a function of the content and quality offered, and is influenced by factors such as reviews by critics, promotions, actors and other key talent, genre and specific subject matter, audience reaction, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment and leisure activities, general economic conditions, public tastes in general, and other intangible factors.

In addition, the markets in which the Corporation operates are experiencing a proliferation of available distribution platforms, including the Internet, wireless telephony, video on demand, mobile television and other technologies that may be marketed in the future. The proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet, including social media, and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices have resulted in greater fragmentation of the television viewing audience and a more difficult advertising sales environment. In addition, the increase in narrowcast programming and specialty services in Canada has caused the conventional television audience to become increasingly fragmented.

These factors continue to evolve rapidly and many are beyond the Corporation's control. It cannot predict the future effects of these factors on its business, financial condition and results of operations. Lack of audience acceptance for the Corporation's content, or shrinking or fragmented audiences, could limit its ability to generate advertising revenues. If the Corporation's ability to generate advertising revenue is limited, it may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that the Corporation would be able to develop new financing sources, and any such limitation on its ability to generate operating revenues, together with an inability to generate new financing sources, could have a material adverse effect on its business, financial condition and results of operations.

Risks related to the fact that programming content may become more expensive to acquire and production costs may increase

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, vertical integration of distributors and broadcasters, the creation of original, exclusive programming content by over-the-top video services, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the Copyright Act are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Government regulation risks

The Corporation is subject to extensive government regulation, mainly through the Broadcasting Act, which is administered by the CRTC. Changes to, or more aggressive enforcement of, the regulations and policies governing broadcasting or the introduction of new regulations, policies or terms of licence could have a material effect on the Corporation's business, financial condition or results of operations. Moreover, changes resulting from the CRTC's interpretations of existing policies and regulations could also be materially adverse to the Corporation's business, financial condition or results of operations. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Corporation is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Corporation's positions and interests, including the failure to renew any of its licences on as favourable terms, may negatively affect its activities and operating results.

In addition, the levels of the royalties payable by the Corporation are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the Copyright Act to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in the Corporation's broadcasting undertakings being required to pay additional royalties for these licences or be subject to additional administrative costs associated with the tariffs.

Government assistance risks

The Corporation takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs which the Corporation may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Quebec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcasted and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and the Corporation might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the Broadcasting Act and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issue and transfer of its shares. The Corporation's transfer agent may refuse to issue or register the transfer of shares if this would prevent the Corporation from holding its licences. These constraints and transfer restrictions may adversely affect the liquidity of the Corporation's Class B Non-Voting Shares and may have an impact on their trading price.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Film Production & Audiovisual Services segment, as well as content producers for the Broadcasting & Production segment, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

Risks related to government incentives in locations outside of Quebec and other influences

The successful tax credit model of Quebec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States of America. Some producers may select locations other than Quebec to take advantage of tax credit programs they may conclude to be more or as attractive as those Quebec offers. Other factors, such as the choice of director or star, may also cause productions to be filmed elsewhere and may therefore have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks related to currency fluctuations and the Film Production & Audiovisual Services segment's dependence on foreign currency and revenue from customers outside Canada

Many of the Film Production & Audiovisual Services segment's customers have found Canada particularly attractive because of the exchange rate of the Canadian dollar to the U.S. dollar. The Canadian to U.S. dollar exchange rate has provided certain cost savings to U.S.-based film producers obtaining production services in Canada. There can be no assurance that favourable exchange rates will continue. Fluctuations in currency exchange rates could decrease the production activity in Canada of the customers of the Corporation and adversely affect its results of operations and financial condition. The Corporation cannot predict the effect of exchange rate fluctuations upon its future operating results and financial position.

Risks related to intellectual property rights

The Corporation must protect its proprietary technology and operate without infringing upon the intellectual property rights of others. The Corporation relies on a combination of patent, copyright, trademark and trade-secret laws and other intellectual property protection methods to establish and protect its proprietary technology. These steps may not protect the Corporation's proprietary information nor give it any competitive advantage. Others may independently develop substantially equivalent intellectual property or otherwise gain access to the Corporation's trade secrets or intellectual property, or disclose such intellectual property or trade secrets. If the Corporation is unable to protect its intellectual property, the Corporation's business could be materially adversely affected.

In addition, there is no assurance that any patents that may have been or may be issued to the Corporation, or that the Corporation may license from third parties, will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide the Corporation with any proprietary protection. The Corporation generally enters into confidentiality or licence agreements with its employees, consultants and vendors, and generally controls access to and distribution of its software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its proprietary information, products or technology without authorization, or to develop similar or superior technology independently. Policing unauthorized use of products or technology is difficult and expensive. In addition, effective copyright, patent and trade secret protection may be unavailable or limited in certain foreign countries. The Corporation cannot provide any assurances that the steps it takes will prevent misappropriation of its technology or that its confidentiality or licence agreements will be enforceable. Finally, some or all of the underlying technologies of the Corporation's products and system components may not be covered by patents or patent applications.

In addition, to produce its projects, the Corporation also relies on third-party software, which is readily available to others. Failure of its patents, copyrights and trade-secret protection, non-disclosure agreements and other measures to provide protection of its technology and the availability of third-party software may make it easier for competitors to obtain technology equivalent or superior to the Corporation's technology or that makes its technology obsolete, which could weaken its competitive position.

Risks related to protecting and defending against intellectual property claims

Litigation may be necessary in the future to enforce the Corporation's intellectual property rights, protect its trade secrets, trademarks and other intellectual property rights, protect and enforce its patents, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. The Corporation has received, and is likely to receive in the future, claims of infringement of other parties' proprietary rights. If any claims or actions are asserted against the Corporation, it may seek to obtain a licence under a third party's intellectual property rights. It cannot provide any assurances, however, that under such circumstances a licence would be available on reasonable terms or at all. Irrespective of the validity or the successful assertion of such claims, any such litigation could result in substantial costs and diversion of resources, could effectively prevent the Corporation from using important technology and could have a material adverse effect on its business, operating results or financial condition.

The Corporation reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Corporation's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Corporation's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights. Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Corporation's trademarks, copyrights and other proprietary rights, or that the Corporation will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Risks related to the availability of licences for third-party technology

In addition to its proprietary technology, the Corporation also relies on certain technology that it licenses from third parties, including software that it uses with its proprietary software. There is no assurance that these third-party technology licences will continue to be available to the Corporation on commercially reasonable terms or at all or that the technology licences will not result in intellectual property infringement claims by third parties. The loss of or inability to maintain any of these technology licences could result in delays in projects until equivalent technology is identified, licensed and integrated to complete a given project. Any such delays or failures in projects could materially adversely affect the Corporation's business, financial condition or results of operations.

Risks related to the Corporation's ability to successfully upgrade, maintain and secure information systems to support the organization's needs

The Corporation relies heavily on information systems to manage operations. The reliability and capacity of information systems is critical. Despite preventative efforts, these systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting information systems, or any delays or difficulties in transitioning to or in integrating new systems, could have a material adverse impact on the Corporation's businesses. In addition, the Corporation's ability to continue to operate its businesses without significant interruption in the event of a disaster or other disruption depends in part on the ability of its information systems to operate in accordance with its disaster recovery and business continuity plans. The operation of existing systems could experience disruption due to unexpected issues with employee hiring, retention, supply chain, and training and installation of equipment or software, among other things.

Cybersecurity risks

The ordinary course of the Corporation's business involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information on its customers and employees, whether in its systems, infrastructure, networks, or processes, or those of its suppliers. The secure processing, maintenance and transmission of this information is critical to TVA Group's operations and strategy.

Although TVA Group has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to, or use of sensitive data, including data on its customers, and although, to prevent data loss, ever-evolving cyberthreats require TVA Group to continually evaluate and adapt its systems, infrastructure, networks and processes, TVA Group cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. If the Corporation is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, it may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and it may suffer damage to its business, competitive position and reputation.

In addition, the preventive actions the Corporation takes to reduce the risks associated with cyberattacks, including protection of its systems, infrastructure, networks and processes, as well as efforts to improve the overall governance of information security and the controls within its IT systems, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

The costs associated with a major cyber-attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, and lost revenues and customers from business interruption and litigation. As part of our risk mitigation, contractual risk transfer with our customers and suppliers is worded to limit our liability and we purchase cyber liability insurance to cover the residual liability as per standard business practices. However, our contractual transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed our insurance coverage.

Risks related to protection of personal data

TVA Group stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. The Corporation faces risks inherent in protecting the security of such personal data. In particular, TVA Group faces a number of challenges in protecting the data in, and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Although TVA Group has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, TVA Group may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that TVA Group stores or processes or that its suppliers store or process. As a result, TVA Group may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and TVA Group may suffer damage to its business, competitive position and reputation.

Risks related to distributors and subscription revenues

The Corporation relies on broadcasting distribution undertakings ("BDUs") (including cable and direct-to-home satellite broadcasting services, as well as multichannel multipoint distribution systems) for the distribution of its specialty services. Operating revenues could be negatively affected if affiliation agreements with BDUs are not renewed according to terms and conditions similar to those in effect at this time. Affiliation agreements with BDUs extend over several years and come to term at different times. Due to industry concentration among BDUs in recent years and with the population of Canada clustered into a small number of large urban centres, a significant percentage of the subscriber base is reached through a small number of BDUs.

The subscription revenues of the specialty services depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. The extent to which the Corporation's subscriber base will grow is uncertain and is dependent upon the ability and willingness of BDUs to deploy and expand their digital technologies, their marketing efforts and the packaging of their services' offerings, as well as upon the willingness of subscribers to adopt and pay for the specialty services. In addition, the broadcast signals of the Corporation's specialty services may sometimes be stolen, representing a risk of loss of subscription revenues.

Risks related to the impact on the Corporation's business of the loss of key management and other personnel, or inability to attract, retain and motivate management and other personnel

The Corporation depends on its management team and other key personnel to run its business. The loss of any of these individuals could adversely affect the Corporation's operations. Due to the specialized nature of its business, the Corporation believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly skilled management, programming, creative, technical and marketing personnel. Competition for highly skilled individuals is intense, and there can be no assurance that the Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Known and unknown environmental risks

The Corporation is subject to various federal, provincial and local environmental requirements which govern certain of its activities, operations or properties and which may impose substantial costs of investigation, removal and remediation. A breach of these acts and regulations ("Environmental Laws") may result in the imposition of fines and penalties. In addition, these Environmental Laws typically include responsibility and liability in certain circumstances without regard to whether the owner or operator knew of or caused the presence of certain contaminants or other environmental violations. Environmental Laws may require the owner or operator to undertake or pay for remedial action or to pay damages regardless of fault. Environmental Laws may also impose liability with respect to sold, transferred or terminated operations, even if the operations were terminated, sold or transferred many years ago. Compliance with Environmental Laws may involve substantial costs and significant obligations for the Corporation. Future Environmental Laws may entail stricter standards, more aggressive enforcement, higher fines, and higher costs for compliance, corrective measures and remediation. All these factors may have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation owns certain soundstages and vacant lots, some of which are located on a former landfill, with the presence of gas emitting waste. As a result, the operation and ownership of these soundstages and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations. The Corporation may be liable for environmental damage caused by previous owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Furthermore, there can be no assurance that various permits which the Corporation may require in the normal course of its current and anticipated future operations or in relation to certain development and construction projects, or in relation to gas emitting waste disposal, will be obtainable on reasonable terms or on a timely basis or that the applicable environmental and health and safety laws and regulations would not have a material adverse effect on operations or on development and construction projects which the Corporation might undertake. In addition, the release of harmful substances in the environment or other environmental damage caused by the Corporation's properties or activities may result in the suspension or revocation of operating and environmental permits.

Risks related to litigation and other claims

The Corporation is involved in various legal proceedings, including class actions, and other claims in the normal course of business. As a distributor of media content, it may also face potential liability for defamation, invasion of privacy, negligence, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. A negative outcome in respect of any such claim or litigation could have an adverse effect on the Corporation's results, liquidity or financial position. Moreover, irrespective of the validity or the successful assertion of such claims or lawsuits, the Corporation could incur significant costs and diversion of resources and of management's attention in defending against them, which could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

Financing risks

The Corporation currently has adequate financing to pursue its current activities and has access to credit facilities totalling $203.4 million. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital in future years. There is no guarantee that additional funds will be made available to the Corporation or, if they are, that they will be provided within a time frame and under conditions that are acceptable to the Corporation. Not being able to obtain this additional financing at the required time and as necessary could have a significant negative effect on the Corporation. Finally, there is no guarantee that, when these facilities are refinanced, market conditions will be favourable or that terms comparable to those the Corporation now enjoys will be available.

Labour relations risks

As of December 31, 2018, approximately 48% of permanent employees were unionized. TVA's labour relations were governed by nine collective agreements. As of December 31, 2018, four collective agreements had come to term, covering about 21% of the Corporation's permanent unionized employees.

On October 31, 2018, the Corporation and the union representing Montreal employees, which covers about 71% of the Corporation's permanent unionized employees, signed a new five-year collective agreement expiring on December 31, 2021.

The Corporation has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Corporation cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation, or the renewal of collective agreements. Nor can the Corporation assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If the Corporation's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption in its operations, damage to its properties or service interruption, which could adversely affect its business, assets, financial position, and results of operations. Even if the Corporation does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict the Corporation's ability to maximize the efficiency of its operations. In addition, the Corporation's ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

In addition, many individuals associated with the film and television industry are members of guilds or unions that bargain collectively with producers on an industry-wide basis from time to time. A strike or other form of labour protest affecting those guilds or unions could affect the level of production activity in the industry and restrict the ability of the

Corporation to service its customers, which in turn would adversely affect the Corporation's results of operations and financial condition.

Risks related to pension plan obligations

Economic cycles, labour force demographics and regulatory changes could also have a negative impact on the funding of the Corporation's defined-benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Corporation's operating results and financial position. Risks related to the funding of defined-benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund's assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess pension plan obligations, and actuarial losses.

Risks related to an increase in paper, printing and postage costs

A significant proportion of the Magazines segment's operating expenses is comprised of paper, printing and postage costs. The segment is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Magazines segment uses third parties for all of its printing services, and printing costs accounted for approximately 24% of operating expenses for the fiscal year ended December 31, 2018. Further, distribution of its publications to subscribers is handled in part by Canada Post Corporation. Any interruption in distribution services could negatively affect the Magazines segment's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the segment's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Critical Accounting Policies and Estimates - Asset Impairment" below, the Corporation's broadcasting licences and goodwill are not amortized but tested for impairment annually, or more frequently if events or changes in conditions indicate that it is more likely than not that the asset has been impaired. The fair value of the broadcasting licences and of goodwill is and will continue to be influenced by assumptions based on the general economic situation, which are used to support the calculation of future discounted cash flows performed by the Corporation in order to determine the fair value of its broadcasting licences and of goodwill. There is no guarantee that the value of the broadcasting licences and of goodwill will not be negatively affected by changes to these assumptions in the event of an economic slowdown. The Corporation is constantly monitoring the value of its broadcasting licences and goodwill, and any change in their fair value would be recognized as a non-cash impairment charge (or reversal of the charge) in the consolidated statements of income.

Risks related to QMI's ability to exert a significant degree of control over the Corporation as the holder of a majority of the Class A Shares

QMI, which owned 99.97% of all the issued and outstanding Class A Shares as of the date of this Management's Discussion and Analysis, can exercise its voting power to elect all of the members of the Board of Directors. QMI can also exercise its majority voting power to unilaterally pass any resolution submitted to a vote of the Corporation's shareholders, including in respect of the approval of certain significant corporate transactions, except for resolutions for which holders of Class B Non-Voting Shares are entitled to vote as provided by or in respect of which QMI is an interested party and for which disinterested shareholder approval is required. Such concentration of ownership may have the effect of delaying, deterring or preventing a change in control of the Corporation that might otherwise be beneficial to its shareholders, discouraging bids for the Class B Non-Voting Shares or limit the amount certain investors may be willing to pay for the Class B Non-Voting Shares.

Risks related to acquisitions, sale of assets, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, sales of assets, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could entail significant costs and cause diversion of management's time and resources and disrupt business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation determines to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, revenues may be affected in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing the Corporation to fail to realize the full value of the disposed asset, or the terms of such dispositions may be overly restrictive or may result in defavourable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Each of these factors could have a material adverse effect on the Corporation's business, financial condition, operating results, liquidity and prospects.

Financial instruments and financial risk

The Corporation's risk management policies are established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to 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.

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 financial instruments with the same maturity.

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

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 which takes into account the credit risk specific to its clients, the expected life of these 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 doubtful accounts (22.9% as at December 31, 2017).

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

Table 11
Changes in allowance for expected credit losses
(in thousands of dollars)

	December 31, 2018	December 31, 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

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, income tax payments and debt servicing, pension plan contributions, dividends, share redemptions, commitments and guarantees.

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 due to the low volume of 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.

The Corporation regularly reviews its position to ensure that its exposure to these risks has not changed.

Capital management

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

- Safeguard 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.

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

Table 12
TVA Group capital structure
(in thousands of dollars)

	December 31, 2018	December 31, 2017
Long-term debt	**$ 52,939**	$ 62,839
Less: cash	**(18,112)**	(21,258)
Net liabilities	**34,827**	41,581
Equity attributable to shareholders	**$ 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 all the terms of its credit agreements.

Contingencies and legal disputes

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.

Critical Accounting Policies and Estimates

Revenue recognition

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

- 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.

Advertising revenues

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 publication date.

Subscription revenues

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.

Revenues from newsstand magazine sales

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.

Revenues from soundstage, mobile unit and production equipment rental

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

Revenues from postproduction, visual effects and distribution

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

Impairment of assets

For the purposes of assessing impairment, assets are grouped in 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.

The Corporation uses the discounted cash flow method to estimate value in use, consisting of future cash flows derived primarily from the most recent budget and 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. A perpetual growth rate is used for cash flows beyond this three-year period. 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.

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 when the carrying amount does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

When determining the value less costs of disposal, the appraisal of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. As well, the discounted expected future cash flows method involves the use of estimates, such as the amount and timing of a series of expected future cash flows, expected variations in the amount or timing of the cash flows, the time value of money as represented by the risk-free interest rate and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss of the asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its most recent impairment tests, the Corporation believes that there are no long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that could suffer significant impairment.

Pension plans and post-retirement benefits

The Corporation offers employees defined-contribution pension plans and defined-benefit pension 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, the gain or loss on re-measurement of defined-benefit plans recognized in the consolidated statement of comprehensive income and the carrying amount of defined-benefit assets and other liabilities recognized in the consolidated balance sheet. Pension plan assets, based on fair value, consist of equities as well as corporate and government fixed-income securities.

Re-measurements of the net defined-benefit liability or asset are recognized immediately in other comprehensive income 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 assets or liabilities;

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.

The Corporation considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and post-retirement benefits in future periods.

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 and assumptions such as the risk-free rate, distribution yield, expected volatility and the expected remaining life of the option.

Provisions

Provisions are recognized when (a) 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 (b) the amount of the obligation can be reliably estimated. Restructuring costs, including 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 in the reporting periods in which the re-measurements occurred.

Income tax

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.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Changes in accounting policies

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 classified as subsequently measured at amortized cost, with the exception of some investments presented at fair value through comprehensive income. The Corporation also uses the expected credit losses method in IFRS 9 to estimate the allowance for expected credit losses on its financial assets.

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

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 (see "**Revenue recognition**" above).

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

Recent accounting pronouncements

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 establishes 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. The assets and liabilities arising from leases will initially be recognized at their discounted value.

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 an amortization charge on the right-of-use asset, along with an interest charge on the lease-obligation 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 consolidated statement of income.

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 tax expenses		**268**
Net income and comprehensive income attributable to shareholders	$	**745**

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 at $3,480,000 as of December 31, 2018 and $4,298,000 as of December 31, 2017.

IFRIC 23 *Uncertainty over Income Tax Treatments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability that 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.

Disclosure controls and procedures

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation was conducted of the effectiveness of the Corporation's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR).

Based on this evaluation, the President and Chief Executive Officer and the Vice-President, Finance have concluded that DC&P and ICFR were effective as at year-end December 31, 2018, and that the DC&P design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Further, the ICFR design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with IFRS.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period beginning October 1, 2018 and ending December 31, 2018.

Additional information

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

Forward-looking information disclaimer

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

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the "Risks and Uncertainties" section of this Management's Discussion and Analysis and other public filings available at www.sedar.com and www.groupetva.ca.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of February 28, 2019, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the applicable securities laws.

Montreal, Quebec

February 28, 2019

Table 13
SELECTED FINANCIAL DATA
Years ended December 31, 2018, 2017 and 2016
(in thousands of dollars, except for per-share data)

	2018	2017	2016
Operations			
Operating revenues	**$ 551,910**	$ 589,707	$ 590,866
Adjusted EBITDA	**$ 50,383**	$ 66,381	$ 45,401
Net income (loss) attributable to shareholders	**$ 8,312**	$ (15,951)	$ (39,855)
Basic and diluted per-share data			
Basic earnings (loss) per share	**$ 0.19**	$ (0.37)	$ (0.92)
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206

Table 14
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

				2018
	December 31	**September 30**	**June 30**	**March 31**
Operations				
Operating revenues	**$ 150,466**	**$ 127,418**	**$ 140,190**	**$ 133,836**
Adjusted EBITDA (negative adjusted EBITDA)	**$ 25,024**	**$ 26,968**	**$ (3,902)**	**$ 2,293**
Net income (loss) attributable to shareholders	**$ 9,012**	**$ 13,997**	**$ (9,706)**	**$ (4,991)**
Basic and diluted per-share data				
Basic earnings (loss) per share	**$ 0.21**	**$ 0.32**	**$ (0.22)**	**$ (0.12)**
Weighted average number of outstanding shares (in thousands)	**43,206**	**43,206**	**43,206**	**43,206**

				2017
	December 31	September 30	June 30	March 31
Operations				
Operating revenues	$ 155,256	$ 140,785	$ 152,542	$ 141,124
Adjusted EBITDA (negative adjusted EBITDA)	$ 22,968	$ 32,935	$ 11,072	$ (594)
Net income (loss) attributable to shareholders	$ 9,210	$ (15,259)	$ (1,870)	$ (8,032)
Basic and diluted per-share data				
Basic earnings (loss) per share	$ 0.21	$ (0.35)	$ (0.04)	$ (0.19)
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206

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

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

Accordingly, the results of operations for interim periods may vary from one quarter to the next.