



November 1, 2018

For immediate release

TVA GROUP REPORTS \$14.0 MILLION NET INCOME ATTRIBUTABLE TO SHAREHOLDERS IN Q3 2018

Montreal, Canada – TVA Group Inc. (“TVA Group” or the “Corporation”) announced today that it recorded net income attributable to shareholders in the amount of \$14.0 million or \$0.32 per share in the third quarter of 2018, compared with a net loss attributable to shareholders of \$15.3 million or a loss of \$0.35 per share in the same quarter of 2017.

Third quarter operating highlights:

- Consolidated adjusted EBITDA¹ of \$26,968,000 representing an unfavourable variance of \$5,967,000 from the same quarter of 2017.
- \$16,710,000 adjusted EBITDA¹ in the Broadcasting & Production segment representing an unfavourable variance of \$3,192,000 due primarily to a 30% decrease in TVA Network’s adjusted EBITDA¹ and an 11% decrease in the adjusted EBITDA¹ of the specialty channels.
- Conclusion of an agreement in principle between the Corporation and its unionized employees in Montreal concerning the collective bargaining agreement expired on December 31, 2016, for a five-year period.
- \$1,727,000 adjusted EBITDA¹ in the Magazines segment representing an unfavourable variance of \$1,462,000 due mainly to a decrease in operating revenues, which was partially offset by savings generated by rationalization plans implemented in recent quarters.
- \$8,531,000 adjusted EBITDA¹ in the Film Production & Audiovisual Services (“MELS”) segment representing an unfavourable variance of \$1,313,000 essentially due to lower volume of activities in soundstage and equipment rental and in visual effects. These factors were partially offset by the increased postproduction profitability and the addition of mobile unit rental activities to adjusted EBITDA.¹

“Our financial performance in the third quarter of 2018 was impacted by lower operating revenues in our three business segments. Advertising revenues decreased in both our Broadcasting & Production segment and our Magazines segment. TVA Network’s financial performance declined with a 10% decrease in advertising revenues in Q3 2018. Our initiatives to reduce operating expenses during recent quarters have not entirely made up for the decline in operating revenues.

TVA Group’s market share was up 1.0 points² compared with Q3 2017, largely because of the strong performance of the specialty channels, particularly “LCN” which gained an impressive 0.7 points. The election night *Quebec 2018* coverage on TVA and “LCN” was watched by up to 2.1 million people, an all-time record. We are also very proud of the audience response in Quebec to our new dance competition, *Révolution*, a locally created and developed format that is already attracting strong interest in other markets,” commented France Lauzière, President of TVA Group.

¹ See definition of adjusted EBITDA below.

² Numeris – Quebec Franco, July 1 to September 30, 2018, Mo-Su, 2a.m.-2a.m., t2+

“In the Magazines segment, we have been taking initiatives for several quarters to offset the drop in revenues by cutting costs and increasing operating efficiencies, and we are continuing our efforts on this front. We are pleased to see that the popularity of our brands remains high. TVA held its position as the top publisher of French-language magazines in Quebec with more than 3.7 million¹ readers, while our English-language titles are read by 5.7 million¹ people,” added Ms Lauzière.

“The Film Production & Audiovisual Services segment’s financial performance declined slightly in Q3 2018 but it remains a growth driver for the Corporation. The movie industry is a fast-growing sector not only for us but for Quebec’s cultural industries and the Quebec economy as a whole. As we have said on previous occasions, it is very important that the provincial government commits to maintaining and hopefully enhancing existing tax incentives so that Quebec’s economy can reap its share of the benefits generated by the film industry’s global growth,” concluded Ms. Lauzière.

Definition

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, impairment of goodwill and intangible assets, operational restructuring costs and others, income taxes and share of loss (income) of associated corporations. Adjusted EBITDA as defined above is not a measure of results that is consistent with International Financial Reporting Standards (“IFRS”). Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation’s consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted 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.

Conference call for investors

TVA Group will hold a conference call to discuss its third quarter 2018 results on November 2, 2018, at 11:00 a.m. EST. There will be a question period reserved for financial analysts. To access the call, please dial 1-877-293-8052, access code for participants 66581#. A tape recording of the call will be available from November 2 to December 2, 2018 by dialling 1-877-293-8133, conference number 1238367#, access code for participants 66581#.

Forward-looking information disclaimer

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

¹ Vividata, Fall 2018, Total Canada, 14+, July 1, 2017 to June 30, 2018

Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com and www.groupe TVA.ca, including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2017 and the "Risk Factors" section in the Corporation's 2017 annual information form.

The forward-looking statements in this news release reflect the Corporation's expectations as of November 1, 2018 and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so under applicable securities laws.

TVA Group

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

Source:

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

TVA GROUP INC.

Interim consolidated statements of income (loss)

(unaudited)

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

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017	2018	2017
Revenues	3	\$ 127,418	\$ 140,785	\$ 401,444	\$ 434,451
Purchases of goods and services	4	66,969	71,719	267,742	276,436
Employee costs		33,481	36,131	108,343	114,602
Depreciation of property, plant and equipment and amortization of intangible assets		8,602	8,767	25,709	26,509
Financial expenses	5	598	697	1,867	1,969
Impairment of goodwill and intangible assets	6	–	42,405	–	42,405
Operational restructuring costs and others	7	(779)	32	157	4,982
Income (loss) before tax expense (recovery) and share of loss (income) of associated corporations		18,547	(18,966)	(2,374)	(32,452)
Tax expense (recovery)		4,538	(3,927)	(840)	(7,124)
Share of loss (income) of associated corporations		42	139	(610)	(328)
Net income (loss)		\$ 13,967	\$ (15,178)	\$ (924)	\$ (25,000)
Net income (loss) attributable to:					
Shareholders		\$ 13,997	\$ (15,259)	\$ (700)	\$ (25,161)
Non-controlling interest		(30)	81	(224)	161
Basic and diluted earnings (loss) per share attributable to shareholders	9 c)	\$ 0.32	\$ (0.35)	\$ (0.02)	\$ (0.58)

See accompanying notes to condensed interim consolidated financial statements.

TVA GROUP INC.

Interim consolidated statements of comprehensive income (loss)

(unaudited)

(in thousands of Canadian dollars)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017	2018	2017
Net income (loss)		\$ 13,967	\$ (15,178)	\$ (924)	\$ (25,000)
Other comprehensive items that may be reclassified to income:					
Cash flow hedge:					
Gain on valuation of derivative financial instruments	11	–	50	–	160
Deferred income taxes	11	–	(14)	–	(43)
		–	36	–	117
Comprehensive income (loss)		\$ 13,967	\$ (15,142)	\$ (924)	\$ (24,883)
Comprehensive income (loss) attributable to:					
Shareholders		\$ 13,997	\$ (15,223)	\$ (700)	\$ (25,044)
Non-controlling interest		(30)	81	(224)	161

See accompanying notes to condensed interim consolidated financial statements.

TVA GROUP INC.

Interim consolidated statements of changes in equity

(unaudited)

(in thousands of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 9)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (note 11)		
Balance as at December 31, 2016	\$ 207,280	\$ 581	\$ 67,514	\$ 2,010	\$ 840	\$ 278,225
Net (loss) income	–	–	(25,161)	–	161	(25,000)
Other comprehensive income	–	–	–	117	–	117
Balance as at September 30, 2017	207,280	581	42,353	2,127	1,001	253,342
Net income	–	–	9,210	–	129	9,339
Other comprehensive income	–	–	–	848	–	848
Balance as at December 31, 2017	207,280	581	51,563	2,975	1,130	263,529
Net loss	–	–	(700)	–	(224)	(924)
Balance as at September 30, 2018	\$ 207,280	\$ 581	\$ 50,863	\$ 2,975	\$ 906	\$ 262,605

See accompanying notes to condensed interim consolidated financial statements.

TVA GROUP INC.

Interim consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	Note	September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash		\$ 20,037	\$ 21,258
Accounts receivable		133,758	144,913
Income taxes		5,419	596
Programs, broadcast rights and inventories		67,167	79,437
Prepaid expenses		4,780	3,736
		231,161	249,940
Non-current assets			
Broadcast rights		47,370	43,031
Investments	7	11,168	12,851
Property, plant and equipment		190,781	200,510
Intangible assets		13,326	15,120
Goodwill	8	9,045	7,892
Defined benefit plan asset		–	2,873
Deferred income taxes		15,197	14,015
		286,887	296,292
Total assets		\$ 518,048	\$ 546,232

TVA GROUP INC.

Interim consolidated balance sheets (continued)

(unaudited)
(in thousands of Canadian dollars)

	Note	September 30, 2018	December 31, 2017
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 92,260	\$ 104,505
Income taxes		238	6,314
Broadcast rights payable		69,261	69,244
Provisions		9,295	8,937
Deferred revenues		18,353	18,728
Current portion of long-term debt		11,250	9,844
		200,657	217,572
Non-current liabilities			
Long-term debt		44,372	52,708
Defined benefit plan liabilities		2,217	1,686
Other liabilities		7,290	9,946
Deferred income taxes		907	791
		54,786	65,131
Equity			
Capital stock	9	207,280	207,280
Contributed surplus		581	581
Retained earnings		50,863	51,563
Accumulated other comprehensive income	11	2,975	2,975
Equity attributable to shareholders		261,699	262,399
Non-controlling interest		906	1,130
		262,605	263,529
Total liabilities and equity		\$ 518,048	\$ 546,232

See accompanying notes to condensed interim consolidated financial statements.

On November 1, 2018, the Board of Directors approved the condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2018 and 2017.

TVA GROUP INC.

Interim consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017	2018	2017
Cash flows related to operating activities					
Net income (loss)		\$ 13,967	\$ (15,178)	\$ (924)	\$ (25,000)
Adjustments for:					
Depreciation and amortization		8,651	8,816	25,857	26,657
Impairment of goodwill and intangible assets	6	–	42,405	–	42,405
Share of loss (income) of associated corporations		42	139	(610)	(328)
Deferred income taxes		(595)	(9,065)	(1,416)	(11,818)
Gain on disposal of assets	7	(2,936)	–	(3,936)	–
Impairment of other assets	7	2,000	–	2,000	–
Others		(90)	1	(80)	2
Cash flows provided by current operations		21,039	27,118	20,891	31,918
Net change in non-cash operating assets and liabilities		(1,006)	18,715	(237)	(1,002)
Cash flows provided by operating activities		20,033	45,833	20,654	30,916
Cash flows related to investing activities					
Additions to property, plant and equipment		(4,207)	(6,654)	(10,384)	(17,540)
Additions to intangible assets		(798)	(399)	(2,910)	(1,437)
Disposal of property, plant and equipment and intangible assets	7	3,723	–	3,723	–
Business acquisitions	8	(2,026)	–	(4,731)	–
Change in investments		293	293	195	350
Others		–	–	(600)	–
Cash flows used in investing activities		(3,015)	(6,760)	(14,707)	(18,627)
Cash flows related to financing activities					
Decrease of bank overdraft		–	(6,631)	–	–
Repayment of long-term debt		(2,352)	(8,270)	(7,078)	(4,238)
Others		–	(39)	(90)	(119)
Cash flows used in financing activities		(2,352)	(14,940)	(7,168)	(4,357)
Net change in cash		14,666	24,133	(1,221)	7,932
Cash at beginning of period		5,371	1,018	21,258	17,219
Cash at end of period		\$ 20,037	\$ 25,151	\$ 20,037	\$ 25,151
Interest and taxes reflected as operating activities					
Net interest paid		\$ 533	\$ 597	\$ 1,596	\$ 1,822
Income taxes paid (received) (net of refunds or payments)		2,731	375	11,469	(455)

See accompanying notes to condensed interim consolidated financial statements.

TVA GROUP INC.

Notes to condensed interim consolidated financial statements

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

TVA Group Inc. (“TVA Group” or the “Corporation”) is governed by the Quebec *Business Corporations Act*. TVA Group is a communications company engaged in the Broadcasting & Production, Film Production & Audiovisual Services, and Magazines businesses (note 12). The Corporation is a subsidiary of Quebecor Media Inc. (“Quebecor Media” or the “parent corporation”) and its ultimate parent corporation is Quebecor Inc. (“Quebecor”). The Corporation’s head office is located at 1600 de Maisonneuve Boulevard East, Montreal, Quebec, Canada.

The Corporation’s businesses experience significant seasonality due to, among other factors, seasonal advertising patterns, consumers’ viewing, reading and listening habits, and demand for production 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. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

1. Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and are condensed consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Corporation’s 2017 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

Comparative figures for the three-month and nine-month periods ended September 30, 2017 have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2018.

2. Changes in accounting policies

(i) IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new IFRS 9 requirements, which simplify 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 requirements, financial assets and liabilities are now all classified as subsequently measured at amortized cost.

The Corporation also uses the expected credit losses method on its financial assets.

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

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

2. Changes in accounting policies (continued)

(ii) IFRS 15 – Revenue from Contracts with Customers

On January 1, 2018, the Corporation also adopted IFRS 15, which specifies how and when an entity should recognize revenue and the additional disclosures such entities are to provide to users of financial statements.

The standard provides a single, principles-based five-step model to be applied to all contracts with customers. Accordingly, the Corporation now recognizes a contract with a customer only when all of the following criteria are satisfied:

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

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

3. Revenues

The breakdown of revenues is as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Advertising services	\$ 50,173	\$ 57,418	\$ 189,239	\$ 211,890
Royalties	31,438	32,307	94,403	96,678
Rental and postproduction services and other services rendered	26,847	30,144	60,027	63,905
Product sales ¹	18,960	20,916	57,775	61,978
	\$ 127,418	\$ 140,785	\$ 401,444	\$ 434,451

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

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

4. Purchases of goods and services

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Rights and production costs	\$ 37,598	\$ 38,850	\$ 177,481	\$ 177,874
Printing and distribution	5,667	6,792	17,545	20,401
Services rendered by the parent corporation:				
- Commissions on advertising sales	5,262	4,435	19,740	15,927
- Others	2,303	2,220	6,898	6,678
Building costs	5,315	5,436	15,437	16,001
Marketing, advertising and promotion	4,242	4,772	12,362	13,330
Others	6,582	9,214	18,279	26,225
	\$ 66,969	\$ 71,719	\$ 267,742	\$ 276,436

5. Financial expenses

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Interest on long-term debt	\$ 591	\$ 619	\$ 1,780	\$ 1,821
Amortization of financing costs	49	49	148	148
Interest expense on net defined benefit liability or asset	35	25	120	74
Foreign exchange (gain) loss	(17)	15	(16)	(93)
Others	(60)	(11)	(165)	19
	\$ 598	\$ 697	\$ 1,867	\$ 1,969

6. Impairment of goodwill and intangible assets

The continuing downward trend in operating revenues in the magazine industry led the Corporation to perform an impairment test on its Magazines 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.

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)
 (Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

7. Operational restructuring costs and others

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Operational restructuring costs	\$ 596	\$ 32	\$ 2,070	\$ 1,267
Others	(1,375)	–	(1,913)	3,715
	\$ (779)	\$ 32	\$ 157	\$ 4,982

Operational restructuring costs

In the three-month and nine-month periods ended September 30, 2018 and 2017, the Corporation recorded the following operational restructuring costs in connection with the elimination of positions:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Broadcasting & Production	\$ 213	\$ 19	\$ 612	\$ 710
Magazines	152	13	1,043	420
Film Production & Audiovisual Services	231	–	415	137
	\$ 596	\$ 32	\$ 2,070	\$ 1,267

Others

In the three-month and nine-month periods ended September 30, 2018, the Corporation also made downward adjustments in the amounts of \$346,000 and \$169,000, respectively (\$3,663,000 charge for the nine-month period ended September 30, 2017) to the allowance for onerous leases extending up to June 2022 for premises left unused by the Magazines segment following implementation of rationalization plans. The reductions were due to the signing of an agreement with a lessor to terminate the Corporation's commitment for some premises.

During the three-month period ended September 30, 2018, the Corporation completed the sale of a building in Quebec City for net proceeds on disposal of \$3,528,000. The transaction gave rise to the recognition of a \$2,936,000 gain on disposal.

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

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

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

8. Business acquisitions

(a) Mobilimage inc.

On January 22, 2018, the Corporation acquired the assets of Mobilimage inc., consisting essentially of mobile production vehicles and equipment, for a cash purchase price of \$2,705,000, consisting of the agreed price of \$2,750,000 less a \$45,000 adjustment related to a pre-established working capital target agreed to by the parties. The acquired company's mobile production vehicle and equipment rental activities have been incorporated into the Film Production & Audiovisual Services segment's operations.

Final allocation of the purchase price was completed during the current quarter. The fair value of assets and liabilities related to the acquisition is broken down as follows:

Assets acquired	
Current assets	\$ 141
Property, plant and equipment	1,980
Goodwill	642
	2,763
Liabilities assumed	
Current liabilities	58
	Net assets acquired at fair value
	\$ 2,705
Consideration	
Cash	\$ 2,705

The acquisition was consistent with the Corporation's strategic objective of offering an array of production equipment and services in order to meet producers' needs and reduce the use of outsourced services for its own production needs. The goodwill related to the acquisition arises mainly from expected synergies.

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

8. Business acquisitions (continued)

(b) Audio Zone Inc.

On August 27, 2018, the Corporation signed an agreement to purchase all of the shares of Audio Zone Inc. for a total cash purchase price of \$2,026,000 consisting of the agreed price of \$2,000,000 and the assumption of a \$26,000 bank overdraft. This purchase price is subject to an adjustment that will be known by the end of the year, based on a predetermined working capital target agreed to by the parties. The acquired postproduction sound activities have been incorporated into the Film Production & Audiovisual Services segment's operations.

The acquisition was consistent with the Corporation's strategic objective of offering an array of production services that meet the needs of producers and customers. The goodwill related to the acquisition arises mainly from expected synergies.

The preliminary breakdown of the fair value of assets and liabilities related to the acquisition is as follows:

Assets acquired	
Current assets	\$ 322
Property, plant and equipment	450
Intangible assets	1,256
Goodwill	511
	2,539
Liabilities assumed	
Current liabilities	(165)
Deferred income taxes	(348)
	(513)
Net assets acquired at fair value	\$ 2,026
Consideration	
Cash	\$ 2,000
Assumed bank overdraft	26
	\$ 2,026

(c) Serdy Group

On April 30, 2018, the Corporation signed an agreement to acquire the companies in the Serdy Media Inc. group, which owns and operates the "Évasion" and "Zeste" specialty channels, and the companies in the Serdy Video Inc. group, for a total consideration of \$24,000,000. The acquisition is subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

9. Capital stock

(a) Authorized capital stock

An unlimited number of Class A common shares, participating, voting, without par value.

An unlimited number of Class B shares, participating, non-voting, without par value.

An unlimited number of preferred shares, non-participating, non-voting, with a par value of \$10 each, issuable in series.

(b) Issued and outstanding capital stock

	September 30, 2018	December 31, 2017
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares	207,208	207,208
	\$ 207,280	\$ 207,280

(c) Earnings (loss) per share attributable to shareholders

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Net income (loss) attributable to shareholders	\$ 13,997	\$ (15,259)	\$ (700)	\$ (25,161)
Weighted average number of basic and diluted shares outstanding	43,205,535	43,205,535	43,205,535	43,205,535
Basic and diluted earnings (loss) per share attributable to shareholders	\$ 0.32	\$ (0.35)	\$ (0.02)	\$ (0.58)

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

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

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

(a) Class B stock option plan for officers

During the three-month and nine-month periods ended September 30, 2018, no stock options were granted. As of September 30, 2018 and December 31, 2017, 60,000 options with a weighted average exercise price of \$6.85 were outstanding.

Of the options outstanding as at September 30, 2018, 36,000 Corporation Class B stock options could be exercised at an average price of \$6.85.

(b) Quebecor Media stock option plan

	Nine-month period ended September 30, 2018	
	Number	Weighted average exercise price
Balance as at December 31, 2017	66,900	\$ 65.64
Options related to executives transferred to TVA Group	45,800	59.70
Exercised	(37,850)	59.89
Balance as at September 30, 2018	74,850	\$ 64.92

Of the options outstanding as at September 30, 2018, 46,700 Quebecor Media stock options could be exercised at an average price of \$63.66.

During the three-month period ended September 30, 2018, 19,000 Quebecor Media stock options were exercised for a cash consideration of \$845,000 (during the same period of 2017, 4,400 stock options were exercised for a cash consideration of \$122,000).

During the nine-month period ended September 30, 2018, 37,850 Quebecor Media stock options were exercised for a cash consideration of \$1,494,000 (during the same period of 2017, 25,750 stock options were exercised for a cash consideration of \$500,000).

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

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

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

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

As of September 30, 2018, 203,464 DSUs based on TVA Group Class B Shares, 31,440 DSUs based on Quebecor Class B Shares, 270,637 PSUs based on TVA Group Class B Shares, and 34,955 PSUs based on Quebecor Class B Shares were outstanding under the plans.

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

As of September 30, 2018, the total number of DSUs outstanding under this plan was 111,459 (78,012 as of December 31, 2017).

(e) Stock-based compensation expense

During the three-month and nine-month periods ended September 30, 2018, compensation expenses in the amount of \$455,000 and \$1,777,000 respectively were recorded in respect of all stock-based compensation plans (\$941,000 and \$2,185,000 in the same periods of 2017).

TVA GROUP INC.

Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

11. Accumulated other comprehensive income

	Cash flow hedge	Defined benefits plans	Total
Balance as at December 31, 2016	\$ (123)	\$ 2,133	\$ 2,010
Other comprehensive income	117	–	117
Balance as at September 30, 2017	(6)	2,133	2,127
Other comprehensive income	6	842	848
Balance as at December 31, 2017 and September 30, 2018	\$ –	\$ 2,975	\$ 2,975

12. Segmented information

The Corporation's operations consist of the following segments:

- The **Broadcasting & Production segment**, which 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**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes magazines in various fields including the arts, entertainment, television, fashion and decorating; markets digital products associated with the various magazine brands; and provides custom publishing, commercial print production and premedia services;
- The **Film Production & Audiovisual Services segment**, which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile unit and production equipment rental services, as well as dubbing, postproduction, visual effects and distribution services.

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Notes to condensed interim consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2018 and 2017 (unaudited)

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

12. Segmented information (continued)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Revenues				
Broadcasting & Production	\$ 88,687	\$ 94,110	\$ 304,338	\$ 322,133
Magazines	18,274	25,218	56,881	70,376
Film Production & Audiovisual Services	23,433	24,594	49,398	50,372
Intersegment items	(2,976)	(3,137)	(9,173)	(8,430)
	127,418	140,785	401,444	434,451
Adjusted EBITDA¹				
Broadcasting & Production	16,710	19,902	10,771	25,635
Magazines	1,727	3,189	5,061	7,538
Film Production & Audiovisual Services	8,531	9,844	9,527	10,240
	26,968	32,935	25,359	43,413
Depreciation of property, plant and equipment and amortization of intangible assets	8,602	8,767	25,709	26,509
Financial expenses	598	697	1,867	1,969
Impairment of goodwill and intangible assets	–	42,405	–	42,405
Operational restructuring costs and others	(779)	32	157	4,982
Income (loss) before tax expense (recovery) and share of loss (income) of associated corporations	\$ 18,547	\$ (18,966)	\$ (2,374)	\$ (32,452)

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

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