



October 29, 2020

For immediate release

TVA GROUP REPORTS THIRD QUARTER 2020 RESULTS

Montreal, Canada – TVA Group Inc. (“TVA Group” or the “Corporation”) announced today that it recorded operating revenues in the amount of \$119.5 million for the third quarter of 2020, a year-over-year decrease of \$6.1 million. Net income attributable to shareholders was \$8.4 million for earnings per share of \$0.19, compared with net income attributable to shareholders of \$13.4 million for earnings per share of \$0.31 for the same quarter of fiscal 2019.

Third quarter operating highlights:

- \$23,363,000 consolidated adjusted EBITDA¹, a \$7,778,000 unfavourable variance from the same quarter of 2019.
- \$16,938,000 in adjusted EBITDA¹ in the Broadcasting segment, a \$4,959,000 unfavourable variance due primarily to a 71.1% decrease in adjusted EBITDA¹ of the specialty channels, particularly “TVA Sports” which recorded a significant increase in costs for the current quarter as a result of the postponement of the National Hockey League (“NHL”) playoffs, partially offset by a significant increase in adjusted EBITDA¹ generated by TVA Network and commercial production services.
- \$2,947,000 in adjusted EBITDA¹ in the Film Production & Audiovisual Services segment (“MELS”), a \$3,535,000 unfavourable variance caused primarily by the decreased profitability of soundstage, mobile and equipment rental and visual effects services as a result of the current public health crisis. The segment’s other activities posted increased profitability.
- \$2,999,000 in adjusted EBITDA¹ in the Magazines segment, a \$555,000 favourable variance resulting mainly from the performance of all titles, as cost savings outweighed the decrease in revenues, combined with additional grants to help publishers during the public-health crisis.
- \$427,000 in adjusted EBITDA¹ in the Production & Distribution segment, a \$109,000 favourable variance due primarily to financial assistance from the Canada Media Fund to support production companies in the resumption of their activities.

“As expected, the COVID-19 pandemic continued impacting our business and on our third quarter 2020 results. The periodic resurgence of the virus and the various measures taken by government authorities to curb its spread continued to cause, among other things, a significant decline in advertising revenues; a large reduction in the sporting events broadcast by the ‘TVA Sports’ specialty channel, despite the broadcast of the NHL playoffs in the third quarter; and a need to adapt our work environments and methods in order to protect the health and safety of our employees and the public. That said, our teams are primed and ready to resume activities, although the scope and pace of the resumption is still subject to factors such as the implementation of social distancing measures, which complicate or slow the production of certain types of content, the shaky resumption of sporting events, and the precarious situation of some of our advertisers,” commented France Lauzière, President and CEO of TVA Group

¹ See definition of adjusted EBITDA below.

“I am proud of the work our people have been doing to pursue our mission of informing and entertaining the public under these difficult conditions. TVA Group’s total market share increased by 3.2 points¹ to 41.5%¹ in the third quarter of 2020, while the specialty channels posted a 3.3-point increase¹ as a result of a 2.0-point gain¹ by “LCN”, which held its status as Quebec’s most-watched specialty channel with a 7.1 share.¹ The “TVA Sports” channel also registered a 1.9-point increase due to the broadcast of the NHL playoffs in the third quarter of 2020 and the fact that the Montreal Canadiens qualified for the playoffs. Two sporting events in which the Montreal Canadiens appeared were among the top 30 most-watched shows in Quebec during the quarter. Three of the top five shows in Quebec during the quarter were on TVA Network, including *La Voix*, which was a standout again with an average audience of more than 1.5 million viewers,” said France Lauzière.

“The Film Production and Audiovisual Services segment’s financial results continue to be affected by the pandemic. The public-health crisis brought all film shoots, including a Disney blockbuster, to a complete halt towards the end of the first quarter. Fortunately, shoots have been able to gradually start up again thanks to our people’s efforts, which have made it possible for us to offer a full range of services again, in a safe environment. Also, we are very proud of the new service MELS has introduced, a virtual stage that offers an innovative alternative to conventional soundstages and facilitates compliance with physical distancing rules. The initiative is part of MELS’ push to innovate and to pursue its technological shift,” added the President of TVA Group.

“While the decline in the magazines’ operating revenues continued in the third quarter, it was mitigated by the additional financial assistance the Corporation has received. Our constant efforts to realize organizational synergies enabled us to reduce our operating expenses and generate a 24% margin, which is quite an accomplishment in the current business environment. TVA Group remains the largest publisher of French-language magazines in Quebec² and the segment is making a positive contribution to the Corporation’s earnings.

“The Production & Distribution segment, which includes the Incendo group’s operations, performed strongly given the situation, which has hit production activities particularly hard. The segment stepped up the resumption of its activities, including two co-productions with New Zealand. In addition to diversifying our revenue streams and expanding our presence internationally, this strategy puts us in a good position to take advantage of the strong demand for original content we expect in the future.

“In conclusion, I want to highlight the outstanding work of all our employees throughout Quebec. They have made it possible for us to continue informing and entertaining Quebecers, and they are the architects of our recovery – under circumstances that demand a good deal of agility and adaptability. I thank them all,” Ms. Lauzière concluded.

Update on the COVID-19 situation

Third quarter results must be viewed in the context of the COVID-19 pandemic, an unprecedented situation with major consequences for Canadians and for the global economy. As a provider of essential services, our priority is to continue our mission of informing and entertaining the public. We kept our 24/7 news services available to all on our various broadcasting platforms and provided free access to our “LCN” all-news specialty channel throughout the second quarter and also since October 15. TVA Group has taken and will continue to take all necessary measures to safeguard its employees’ health and safety by delivering services remotely whenever possible, applying physical distancing rules in the workplace, and implementing stringent health precautions at its facilities.

We expect the financial impacts of this crisis will continue to be felt in the coming quarters, including:

- significant reduction in advertising revenues, which will inevitably affect the Broadcasting and Magazines segments;
- increase in bad debts as a result of the precarious situation of some advertisers;
- significant variability in our revenues and content costs related to live broadcasts of sporting events organized by professional leagues, as they resume their activities while cancelling some events and making significant

¹ Numeris – Quebec Franco, July 1 to September 30, 2020 and 2019, Mo-Su, 2a-2a, t2+

² Vividata, Fall 2020, Total Canada, 14+, July 1, 2019 to June 30, 2020

changes to formats and broadcast schedules;

- possible reduction in the publication frequency of some periodicals, which would affect revenues in the Magazines segment;
- variance in the level of activity at MELS and in the Production & Distribution segment resulting from the stoppage or resumption of our content production activities due to factors such as the need to comply with health precautions and physical distancing rules on sets, the closing of borders with some countries, and production insurance challenges.

In view of the economic slowdown caused by the public health crisis, the Corporation is continuously adjusting its workforce and service delivery in order to align its cost structure with the lower volume of activities. Affected employees receive benefits under the Corporation's assistance program to compensate for being placed on stand-by. This program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit. Many of the entities in the Corporation's various business segments qualified for the Emergency Wage Subsidy, enabling the Corporation to mitigate some of the impacts of the crisis.

Given the uncertainty surrounding the duration of the pandemic and its potential impacts, we are currently unable to predict the overall effect it will have on our operating and financial results. However, we believe that our current sound financial health, our strong balance sheet and the steps we have taken will enable us to continue to deliver positive cash flows.

TVA Group continues to take steps on a daily basis to implement the action plans needed to maintain business continuity and the pursuit of its long-term strategies. Our management team is working to ensure sound management of the current crisis and to plan a gradual resumption of the Corporation's activities, while following government directives.

Definition

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and others, income taxes and share of loss (income) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with International Financial Reporting Standards ("IFRS"). It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of 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 2020 results on October 30, 2020, at 9:30 a.m. EDT. There will be a question period reserved for financial analysts. To access the call, please dial 1-877-293-8052, followed by access code for participants 14876#. A recording of the call will be available from October 30 to November 30, 2020 by dialling 1-877-293-8133 followed by conference access code 14876# and recording access code 14876#.

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 and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation’s ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and the risks related to public health emergencies, including COVID-19, as well as any emergency measures implemented by government.

Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the Corporation’s public filings, available at www.sedar.com and www.groupetva.ca, including in particular the “Risks and Uncertainties” section of the Corporation’s annual Management’s Discussion and Analysis for the year ended December 31, 2019 and the “Risk Factors” section in the Corporation’s 2019 annual information form, as well as the update on risks and uncertainties in the Interim Management’s Discussion and Analysis for the three-month and nine-month periods ended September 30, 2020.

The forward-looking statements in this news release reflect the Corporation’s expectations as of October 29, 2020, 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 by the applicable securities laws.

TVA Group

TVA Group Inc., a subsidiary of Quebecor Media Inc., is a communications company engaged in the broadcasting, film production and audiovisual services, international production and distribution of television content, 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.

The condensed interim consolidated financial statements, with notes, and the interim Management’s Discussion and Analysis for the three-month and nine-month periods ended September 30, 2020, can be consulted on the Corporation’s website at www.groupetva.ca.

Source:

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TVA GROUP INC.

Consolidated statements of income

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

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	2020	2019	2020	2019
Revenues	2	\$ 119,537	\$ 125,618	\$ 360,526	\$ 405,714
Purchases of goods and services	3	76,167	61,348	249,723	260,224
Employee costs	3	20,007	33,129	71,567	106,618
Depreciation and amortization		8,124	11,155	25,126	29,942
Financial expenses	4	634	1,038	1,969	3,042
Operational restructuring costs and others	5	2,734	392	4,838	5,037
Income before tax expense and share of loss (income) of associates		11,871	18,556	7,303	851
Tax expense		3,443	5,133	2,750	496
Share of loss (income) of associates		21	55	(405)	(292)
Net income		\$ 8,407	\$ 13,368	\$ 4,958	\$ 647
Net income attributable to:					
Shareholders		\$ 8,404	\$ 13,361	\$ 4,937	\$ 422
Non-controlling interest		3	7	21	225
Basic and diluted earnings per share attributable to shareholders	7 c)	\$ 0.19	\$ 0.31	\$ 0.11	\$ 0.01

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated statements of comprehensive income (loss)

(unaudited)

(in thousands of Canadian dollars)

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	2020	2019	2020	2019
Net income		\$ 8,407	\$ 13,368	\$ 4,958	\$ 647
Other comprehensive items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss	9	(5,000)	–	(20,000)	–
Deferred income taxes		1,325	–	5,325	–
		(3,675)	–	(14,675)	–
Comprehensive income (loss)		\$ 4,732	\$ 13,368	\$ (9,717)	\$ 647
Comprehensive income (loss) attributable to:					
Shareholders		\$ 4,729	\$ 13,361	\$ (9,738)	\$ 422
Non-controlling interest		3	7	21	225

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated statements of equity

(unaudited)
(in thousands of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 7)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) – Defined benefit plans		
Balance as at December 31, 2018	\$ 207,280	\$ 581	\$ 59,406	\$ 3,497	\$ 966	\$ 271,730
Net income	–	–	422	–	225	647
Balance as at September 30, 2019	207,280	581	59,828	3,497	1,191	272,377
Net income	–	–	16,030	–	5	16,035
Other comprehensive income	–	–	–	1,777	–	1,777
Balance as at December 31, 2019	207,280	581	75,858	5,274	1,196	290,189
Net income	–	–	4,937	–	21	4,958
Other comprehensive loss	–	–	–	(14,675)	–	(14,675)
Balance as at September 30, 2020	\$ 207,280	\$ 581	\$ 80,795	\$ (9,401)	\$ 1,217	\$ 280,472

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 2,925	\$ 3,383
Accounts receivable	131,891	154,653
Tax credits and government assistance receivable	35,604	5,899
Income taxes	4,891	2,508
Audiovisual content	72,359	88,422
Prepaid expenses	5,580	3,105
	253,250	257,970
Non-current assets		
Audiovisual content	54,983	54,678
Investments	10,701	10,598
Property, plant and equipment	163,885	175,653
Right-of-use assets	11,073	8,530
Intangible assets	25,194	29,311
Goodwill	23,703	23,703
Deferred income taxes	21,492	14,703
	311,031	317,176
Total assets	\$ 564,281	\$ 575,146

TVA GROUP INC.

Consolidated balance sheets (continued)

(unaudited)
(in thousands of Canadian dollars)

	Note	September 30, 2020	December 31, 2019
Liabilities and equity			
Current liabilities			
Bank overdraft		\$ 5,616	\$ –
Accounts payable and accrued liabilities		106,695	103,945
Content rights payable		60,348	83,244
Deferred revenues		18,080	16,883
Current portion of lease liabilities		3,269	3,238
Income taxes		2,179	309
Short-term debt		29,227	44,846
		225,414	252,465
Non-current liabilities			
Lease liabilities		10,028	7,978
Other liabilities		42,585	18,076
Deferred income taxes		5,782	6,438
		58,395	32,492
Equity			
Capital stock	7	207,280	207,280
Contributed surplus		581	581
Retained earnings		80,795	75,858
Accumulated other comprehensive (loss) income	9	(9,401)	5,274
Equity attributable to shareholders		279,255	288,993
Non-controlling interest		1,217	1,196
		280,472	290,189
Contingencies			
	11		
Total liabilities and equity		\$ 564,281	\$ 575,146

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated statements of cash flows

(unaudited)
(in thousands of Canadian dollars)

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	2020	2019	2020	2019
Cash flows related to operating activities					
Net income		\$ 8,407	\$ 13,368	\$ 4,958	\$ 647
Adjustments for:					
Depreciation and amortization		8,124	11,155	25,126	29,942
Share of loss (income) of associates		21	55	(405)	(292)
Deferred income taxes		(303)	429	(2,120)	(144)
Gain on disposal of an asset	5	–	–	(253)	–
Others		13	59	(12)	41
		16,262	25,066	27,294	30,194
Net change in non-cash operating assets and liabilities		(37,587)	7,776	(4,498)	15,490
Cash flows (used in) provided by operating activities		(21,325)	32,842	22,796	45,684
Cash flows related to investing activities					
Additions to property, plant and equipment		(2,458)	(2,399)	(9,246)	(9,350)
Additions to intangible assets		(549)	(1,486)	(2,070)	(3,642)
Business acquisitions	6	–	(972)	–	(35,477)
Others		271	293	672	293
Cash flows used in investing activities		(2,736)	(4,564)	(10,644)	(48,176)
Cash flows related to financing activities					
Net change in bank overdraft		(258)	(3,627)	5,616	1,029
Net change in revolving credit facility		25,252	(19,721)	(15,614)	–
Repayment of term loan		–	(2,582)	–	(8,114)
Repayment of lease liabilities		(836)	(849)	(2,559)	(3,081)
Others		–	–	(53)	(105)
Cash flows provided by (used in) financing activities		24,158	(26,779)	(12,610)	(10,271)
Net change in cash		97	1,499	(458)	(12,763)
Cash at beginning of period		2,828	3,850	3,383	18,112
Cash at end of period		\$ 2,925	\$ 5,349	\$ 2,925	\$ 5,349
Interest and taxes classified as operating activities					
Net interest paid		\$ 268	\$ 619	\$ 1,279	\$ 2,398
Net income taxes paid		2,310	873	5,383	3,646

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Notes to condensed consolidated financial statements

Three-month and nine-month periods ended September 30, 2020 and 2019 (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, film production & audiovisual services, international production & distribution of television content, and magazines businesses (note 10). The Corporation is a subsidiary of Quebecor Media Inc. (“Quebecor Media” or the “parent corporation”) and the 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, demand for production services from international and local producers, and demand for content from global broadcasters. 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 spending.

The COVID-19 pandemic continues to have a major impact on the economic environment in Canada and around the world. On March 13, 2020, the Quebec government imposed a series of restrictions and special preventive measures to limit the spread of the virus, including the suspension of business activities deemed non-essential. Since then, the Quebec government has gradually implemented a recovery plan, which was followed at the end of September by another set of restrictions due to the second wave of the pandemic. This new plan includes regional restrictions based on the alert level in each region and remains subject to change as the pandemic evolves. These measures continue to impact the Corporation’s business. The crisis curtailed the operations of many business partners and led to a significant slowdown in some of the Corporation’s segments in the first nine months of 2020. Among other impacts, the virus and the measures to curb its spread caused a significant decline in advertising revenues, a large reduction in the sporting events broadcast on the “TVA Sports” specialty channel, a reduction in the publication frequency of some periodicals and the temporary suspension of most of our content production activities. Activity has since picked up at some of the Corporation’s most severely affected segments, particularly sporting events broadcasting, soundstage, mobile and equipment rental, and film and audiovisual content production. However, the business slowdown continues and the recovery remains very fragile, particularly with the pandemic entering its second wave. However, the Corporation has continued and will continue to provide essential services to inform in addition to entertain the population, while putting in place internal measures to safeguard the health and safety of its employees and the public. The Corporation is providing television viewers with continuous coverage of the crisis on TVA Network and the “LCN” specialty channel. Because of the economic slowdown, the Corporation is continuously adjusting the work assignments of its workforce. The affected employees are receiving benefits under the Corporation’s assistance program to make up for being placed on stand-by. This program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit. Many of the business units in the Corporation’s business segments have qualified for the Emergency Wage Subsidy, and the subsidies receivable for the nine-month period ended September 30, 2020 have been recorded as a reduction in employee costs or as payments to employees receiving the Corporation’s support program following the elimination of positions. Given the uncertainty about the future course of the pandemic, it is not possible to determine all its impacts with certainty at this time.

Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

1. Basis of presentation

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") 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 accordingly are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements, which describe the accounting policies used to prepare these condensed consolidated financial statements.

These condensed consolidated financial statements were approved by the Corporation's Board of Directors on October 29, 2020.

Certain comparative figures for the three-month and nine-month periods ended September 30, 2019 have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2020.

2. Revenues

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Advertising services	\$ 50,563	\$ 49,360	\$ 155,408	\$ 187,501
Royalties	34,411	34,354	105,441	103,402
Rental, postproduction and distribution services and other services rendered ⁽¹⁾	17,256	24,873	52,415	61,555
Product sales ⁽²⁾	17,307	17,031	47,262	53,256
	\$ 119,537	\$ 125,618	\$ 360,526	\$ 405,714

⁽¹⁾ Revenues from rental of soundstages, mobiles, equipment and rental space amounted to \$5,026,000 and \$17,252,000 during the three-month and nine-month periods ended September 30, 2020 respectively (\$11,652,000 and \$23,888,000 during the same periods of 2019). Service revenues also include the activities of the new Production & Distribution segment.

⁽²⁾ Revenues from product sales include newsstand and subscription sales of magazines and sales of audiovisual content.

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

3. Purchases of goods and services and employee costs

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Purchases of goods and services:				
Rights and audiovisual content costs	\$ 52,929	\$ 35,416	\$ 180,707	\$ 175,269
Printing and distribution	4,112	4,629	10,774	15,592
Services rendered by the parent corporation:				
- Commissions on advertising sales	5,172	5,214	16,080	19,856
- Others	1,876	2,243	6,374	6,703
Building costs	3,949	4,294	11,693	13,111
Marketing, advertising and promotion	4,298	3,673	9,736	12,437
Others	3,831	5,879	14,359	17,256
	76,167	61,348	249,723	260,224
Employee costs ⁽¹⁾	\$ 20,007	\$ 33,129	\$ 71,567	\$ 106,618
	\$ 96,174	\$ 94,477	\$ 321,290	\$ 366,842

(1) For the three-month and nine-month periods ended September 30, 2020, employee costs are presented net of the \$11,072,000 and \$25,616,000 respectively that the Corporation benefited under the Emergency Wage Subsidy for employees whose work assignments were maintained.

4. Financial expenses

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Interest on short-term debt	\$ 145	\$ 551	\$ 760	\$ 2,052
Amortization of financing costs	13	48	48	145
Interest on lease liabilities	175	160	457	504
Interest expense on net defined benefit liability	77	97	239	306
Foreign exchange loss (gain)	104	22	128	(17)
Others	120	160	337	52
	\$ 634	\$ 1,038	\$ 1,969	\$ 3,042

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

5. Operational restructuring costs and others

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Operational restructuring costs	\$ 903	\$ 186	\$ 3,153	\$ 3,082
Others	1,831	206	1,685	1,955
	\$ 2,734	\$ 392	\$ 4,838	\$ 5,037

Operational restructuring costs

The segment breakdown of the Corporation's net operational restructuring costs in connection with the elimination of positions and the implementation of rationalization plans for the three-month and nine-month periods ended September 30, 2020 and 2019 is as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Broadcasting	\$ 433	\$ 34	\$ 1,872	\$ 1,181
Film Production & Audiovisual Services	368	2	1,050	113
Magazines	102	150	231	1,788
	\$ 903	\$ 186	\$ 3,153	\$ 3,082

Others

During the quarter ended September 30, 2020, the Corporation made an upward adjustment to the contingent consideration related to the acquisition of Incendo in 2019 (note 6) following a review of the assumptions and the range of probabilities for the achievement of financial conditions used in the initial recognition of the transaction. The remeasurement led to an additional \$1,728,000 charge related to the conditional consideration, bringing the total expense for business acquisitions to \$2,009,000. During the first nine months of 2019, the Corporation recorded a \$2,061,000 charge in respect of business acquisitions, including a \$1,794,000 obligation to invest in the broadcasting system in connection with the acquisition of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups (note 6).

During the nine-month period ended September 30, 2020, the Corporation recognized a \$253,000 gain on disposal of an asset, for proceeds on disposal of \$310,000.

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

6. Business acquisitions

(a) Serdy

On February 13, 2019, the Corporation acquired the shares of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups, including the “Évasion” and “Zeste” channels, for a total purchase price of \$25,604,000, including a \$1,604,000 adjustment upon a predetermined working capital target agreed to by the parties, less \$519,000 in acquired cash.

The acquisition is consistent with the Corporation’s strategic objective of enhancing its array of television content for its viewers and advertisers. The goodwill associated with the acquisition arises mainly from the quality of the content and the expected synergies.

As a condition of approval of the transaction, the Canadian Radio-television and Telecommunications Commission required the Corporation to make investments with tangible benefits in the order of \$1,794,000, specifically investments in the Canadian broadcasting system to support French-language productions. This obligation was recognized in operational restructuring costs and others as an acquisition cost.

Allocation of the purchase price was finalized during the fourth quarter of 2019.

(b) Incendo

On April 1, 2019, the Corporation closed an agreement reached on February 22, 2019 to acquire the shares of the companies in the Incendo group for a cash consideration of \$10,392,000 (net of \$859,000 in acquired cash and a \$644,000 reimbursement due to an adjustment based on a predetermined working capital target agreed to by the parties) and a balance payable at fair value of \$6,818,000 on the acquisition date. The purchase price is also subject to adjustments related to the achievement of financial conditions in the three years following the acquisition date. The contingent consideration was set at \$1,739,000 on that date, according to the discounted future cash flows of the future contingent adjustments. The discounted future value is determined according to significant inputs not based on observable market data, assumptions and a range of probabilities for the achievement of financial conditions. During the three-month period ended September 30, 2020, the Corporation remeasured the contingent consideration (note 5). On the acquisition date, the Corporation paid \$11,036,000, which was the agreed purchase price before an adjustment contingent upon a predetermined working capital target agreed to by the parties, less acquired cash in the amount of \$859,000.

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

Allocation of the purchase price was finalized during the fourth quarter of 2019.

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Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

6. Business acquisitions (continued)

The final breakdown of the fair value of assets and liabilities related to these acquisitions is as follows:

	Serdy	Incendo	Total
Non-cash assets acquired			
Current assets	\$ 11,997	\$ 14,004	\$ 26,001
Non-current audiovisual content	3,893	4,191	8,084
Property, plant and equipment	1,720	156	1,876
Intangible assets	8,661	12,575	21,236
Right-of-use assets	1,469	249	1,718
Deferred income taxes	241	–	241
Goodwill ⁽¹⁾	4,813	9,788	14,601
	32,794	40,963	73,757
Liabilities assumed			
Current liabilities	5,404	17,390	22,794
Lease liabilities	1,469	249	1,718
Deferred income taxes	–	4,375	4,375
	6,873	22,014	28,887
Net assets acquired at fair value	\$ 25,921	\$ 18,949	\$ 44,870
Consideration			
Cash	\$ 25,085	\$ 10,392	\$ 35,477
Amounts payable and contingent consideration ⁽²⁾	–	8,557	8,557
Investment in Canal Évasion inc., 8.3% owned by the Corporation	836	–	836
	\$ 25,921	\$ 18,949	\$ 44,870

(1) Goodwill is not tax deductible.

(2) The current portion of the amounts payable and of the contingent consideration in connection with the acquisition of the Incendo groups is presented under “Accounts payable and accrued liabilities,” while the long-term portion is presented under “Other liabilities” on the consolidated balance sheets.

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

7. 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, 2020	December 31, 2019
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 per share attributable to shareholders

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Net income attributable to shareholders	\$ 8,404	\$ 13,361	\$ 4,937	\$ 422
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 per share attributable to shareholders	\$ 0.19	\$ 0.31	\$ 0.11	\$ 0.01

The earnings 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.

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Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

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

(a) Class B stock option plan for officers

	Nine-month period ended September 30, 2020	
	Number	Weighted average exercise price
Balance as at December 31, 2019	515,000	\$ 2.43
Granted	310,000	1.40
Cancelled	(10,000)	2.16
Balance as at September 30, 2020	815,000	\$ 2.04

Of the options outstanding as at September 30, 2020, 35,000 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, 2020	
	Number	Weighted average exercise price
Balance as at December 31, 2019	31,600	\$ 69.19
Exercised	(23,800)	68.83
Balance as at September 30, 2020	7,800	\$ 70.29

Of the options outstanding as at September 30, 2020, 7,800 Quebecor Media stock options could be exercised at an average price of \$70.29.

For the three-month period ended September 30, 2020, 5,000 Quebecor Media stock options were exercised for a cash consideration of \$180,000 (for the three-month period ended September 30, 2019, 11,050 stock options were exercised for a cash consideration of \$580,000).

For the nine-month period ended September 30, 2020, 23,800 Quebecor Media stock options were exercised for a cash consideration of \$1,182,000 (for the nine-month period ended September 30, 2019, 31,650 stock options were exercised for a cash consideration of \$1,362,000).

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Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)
 (Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

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

(c) Quebecor stock option plan

	Nine-month period ended September 30, 2020	
	Number	Weighted average exercise price
Balance as at December 31, 2019	420,500	\$ 28.82
Granted	210,295	33.19
Cancelled	(20,000)	26.52
Balance as at September 30, 2020	610,795	\$ 30.40

Of the options outstanding as at September 30, 2020, no Quebecor stock options could be exercised.

(d) 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 cessation of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of that period, subject to achievement of financial targets. Under the TVA Group plan, holders of DSUs and PSUs are entitled to take 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.

The following table shows changes in outstanding DSUs and PSUs during the nine-month period ended September 30, 2020:

	Outstanding units			
	Corporation stock units		Quebecor stock units	
	DSU	PSU	DSU	PSU
Balance as at December 31, 2019	177,256	131,129	29,150	16,148
Granted	–	–	496	–
Cancelled	(20,692)	–	(4,322)	–
Redeemed	–	(131,129)	–	(16,148)
Balance as at September 30, 2020	156,564	–	25,324	–

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Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

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

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

As at September 30, 2020, the total number of DSUs outstanding under this plan was 352,920 (300,088 as at December 31, 2019).

(f) Stock-based compensation expense

For the three-month and nine-month periods ended September 30, 2020, compensation expenses totalling respectively of \$688,000 and \$574,000 respectively was recorded in respect of all stock-based compensation plans (\$302,000 and \$1,470,000 for the same periods of 2019).

9. Pension plans and post-retirement benefits

The loss on remeasurement of defined benefit plans recognized on the consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2020 mainly reflects the decrease in the discount rate.

10. Segmented information

Management made changes to the Corporation’s management structure at the beginning of the year. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the Magazines segment were combined with the Broadcasting segment’s existing commercial production activities. Financial information for comparative periods has been restated to take into account the new presentation.

At the beginning of the second quarter of 2019, the Corporation reorganized its business segments to better reflect changes in its operations and management structure following the acquisition of Incendo group on April 1, 2019 (note 6). Accordingly, the new Production & Distribution segment was created.

As well, since February 13, 2019, following the acquisition of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups (note 6), the activities of the “Évasion” and “Zeste” specialty services have been included in the Broadcasting segment’s results, while postproduction activities have been included in the Film Production & Audiovisual Services segment’s results.

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

- The **Broadcasting segment**, which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services;
- The **Film Production & Audiovisual Services segment**, which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile and production equipment rental services, as well as dubbing and described video, postproduction and visual effects;

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Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

10. Segmented information (continued)

- 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, and markets digital products associated with the various magazine brands;
- The **Production & Distribution segment**, which through the companies in the Incendo group produces and distributes television shows, movies and television series for the world market.

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2020	2019	2020	2019
Revenues				
Broadcasting	\$ 97,400	\$ 92,775	\$ 292,228	\$ 318,979
Film Production & Audiovisual Services	11,856	20,468	37,298	47,669
Magazines	12,569	12,723	32,899	42,904
Production & Distribution	1,884	3,097	9,506	6,576
Intersegment items	(4,172)	(3,445)	(11,405)	(10,414)
	119,537	125,618	360,526	405,714
Adjusted EBITDA⁽¹⁾				
Broadcasting	16,938	21,897	24,237	22,771
Film Production & Audiovisual Services	2,947	6,482	6,626	8,425
Magazines	2,999	2,444	6,553	7,036
Production & Distribution	427	318	1,522	640
Intersegment items	52	–	298	–
	23,363	31,141	39,236	38,872
Depreciation and amortization	8,124	11,155	25,126	29,942
Financial expenses	634	1,038	1,969	3,042
Operational restructuring costs and others	2,734	392	4,838	5,037
	11,871	18,556	7,303	851
Income before tax expense and share of loss (income) of associates				
	\$ 11,871	\$ 18,556	\$ 7,303	\$ 851

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 and amortization, financial expenses, operational restructuring costs and others, income taxes and share of loss (income) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2020 and 2019 (unaudited)

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

11. Contingencies

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