

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	2021	2020	2021	2020
Revenues	2	\$ 150,703	\$ 119,537	\$ 450,933	\$ 360,526
Purchases of goods and services	3	81,703	76,167	294,874	249,723
Employee costs	3	33,496	20,007	104,454	71,567
Depreciation and amortization		8,136	8,124	24,338	25,126
Financial expenses	4	649	634	2,055	1,969
Operational restructuring costs and other	5	20	2,734	182	4,838
Income before income taxes and share of loss (income) of associates		26,699	11,871	25,030	7,303
Income taxes		7,587	3,443	7,181	2,750
Share of loss (income) of associates		111	21	(552)	(405)
Net income		\$ 19,001	\$ 8,407	\$ 18,401	\$ 4,958
Net income (loss) attributable to:					
Shareholders		\$ 19,010	\$ 8,404	\$ 18,409	\$ 4,937
Non-controlling interest		(9)	3	(8)	21
Basic earnings per share attributable to shareholders		\$ 0.44	\$ 0.19	\$ 0.43	\$ 0.11
Diluted earnings per share attributable to shareholders		0.44	0.19	0.42	0.11
Weighted average number of outstanding shares		43,205,535	43,205,535	43,205,535	43,205,535
Weighted average number of diluted shares		43,466,447	43,205,535	43,414,665	43,205,535

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	2021	2020	2021	2020
Net income		\$ 19,001	\$ 8,407	\$ 18,401	\$ 4,958
Other comprehensive income (loss) items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	8	8,500	(5,000)	44,500	(20,000)
Deferred income taxes		(2,200)	1,325	(11,800)	5,325
		6,300	(3,675)	32,700	(14,675)
Comprehensive income (loss)		\$ 25,301	\$ 4,732	\$ 51,101	\$ (9,717)
Comprehensive income (loss) attributable to:					
Shareholders		\$ 25,310	\$ 4,729	\$ 51,109	\$ (9,738)
Non-controlling interest		(9)	3	(8)	21

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 6)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) – Defined benefit plans		
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
Net income	–	–	27,380	–	3	27,383
Other comprehensive income	–	–	–	4,764	–	4,764
Balance as at December 31, 2020	207,280	581	108,175	(4,637)	1,220	312,619
Net income (loss)	–	–	18,409	–	(8)	18,401
Other comprehensive income	–	–	–	32,700	–	32,700
Balance as at September 30, 2021	\$ 207,280	\$ 581	\$ 126,584	\$ 28,063	\$ 1,212	\$ 363,720

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash	\$ 2,513	\$ 2,838
Accounts receivable	155,432	137,177
Tax credits and government assistance receivable	10,934	16,883
Income taxes	4,023	1,391
Audiovisual content	107,401	112,982
Prepaid expenses	5,676	3,217
	285,979	274,488
Non-current assets		
Audiovisual content	91,613	57,245
Property, plant and equipment	157,761	165,247
Right-of-use assets	9,599	10,326
Intangible assets	20,901	25,028
Goodwill	21,696	21,696
Deferred income taxes	10,107	23,923
Other assets	28,256	11,238
	339,933	314,703
Total assets	\$ 625,912	\$ 589,191

TVA GROUP INC.

Consolidated balance sheets (continued)

(unaudited)
(in thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
Liabilities and equity			
Current liabilities			
Bank overdraft		\$ 5,587	\$ 1,699
Accounts payable, accrued liabilities and provisions		112,002	106,066
Content rights payable		71,767	62,252
Deferred revenues		14,690	14,077
Income taxes		762	8,415
Current portion of lease liabilities		2,725	3,001
Short-term debt		33,808	27,117
		241,341	222,627
Non-current liabilities			
Lease liabilities		8,226	9,148
Other liabilities		9,043	38,223
Deferred income taxes		3,582	6,574
		20,851	53,945
Equity			
Capital stock	6	207,280	207,280
Contributed surplus		581	581
Retained earnings		126,584	108,175
Accumulated other comprehensive income (loss)		28,063	(4,637)
Equity attributable to shareholders		362,508	311,399
Non-controlling interest		1,212	1,220
		363,720	312,619
Contingencies			
	10		
Total liabilities and equity		\$ 625,912	\$ 589,191

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	2021	2020	2021	2020
Cash flows related to operating activities					
Net income		\$ 19,001	\$ 8,407	\$ 18,401	\$ 4,958
Adjustments for:					
Depreciation and amortization		8,136	8,124	24,338	25,126
Share of loss (income) of associates		111	21	(552)	(405)
Deferred income taxes		(295)	(303)	(976)	(2,120)
Gain on disposal of an asset	5	—	—	—	(253)
Other		13	13	(55)	(12)
		26,966	16,262	41,156	27,294
Net change in non-cash balances related to operating activities		(5,376)	(37,587)	(35,976)	(4,498)
Cash flows provided by (used in) operating activities		21,590	(21,325)	5,180	22,796
Cash flows related to investing activities					
Additions to property, plant and equipment		(4,488)	(2,458)	(11,224)	(9,246)
Additions to intangible assets		(346)	(549)	(1,847)	(2,070)
Business acquisitions	5	—	—	(606)	—
Other		271	271	271	672
Cash flows used in investing activities		(4,563)	(2,736)	(13,406)	(10,644)
Cash flows related to financing activities					
Net change in bank overdraft		43	(258)	3,888	5,616
Net change in revolving credit facility		(16,130)	25,252	6,705	(15,614)
Repayment of lease liabilities		(786)	836	(2,514)	(2,559)
Other		(125)	—	(178)	(53)
Cash flows (used in) provided by financing activities		(16,998)	24,158	7,901	(12,610)
Net change in cash		29	97	(325)	(458)
Cash at beginning of period		2,484	2,828	2,838	3,383
Cash at end of period		\$ 2,513	\$ 2,925	\$ 2,513	\$ 2,925
Interest and taxes reflected as operating activities					
Cash interest payments		\$ 381	\$ 268	\$ 1,133	\$ 1,279
Cash income tax payments (net of refunds)		5,150	2,310	18,257	5,383

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, 2021 and 2020 (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 broadcasting, film production & audiovisual services, international production & distribution of television content, and magazine publishing (note 9). 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, 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 has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Quebec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. The Quebec government has gradually implemented a new reopening plan since May 2021 and has imposed the use of a vaccination passport starting September 1, 2021, required to be admitted to certain places or to participate in certain non-essential activities. Since March 2020, this health crisis has curtailed the operations of many of TVA Group's business partners and has led at times to a significant slowdown in some of the Corporation's segments. Among other things, the restrictions and preventive measures imposed by the Quebec government caused a decline in advertising revenues and their recovery is still hesitant in some markets and segments and, more specifically in 2020, a 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. Despite the constraints created by the pandemic, the Corporation has continued providing essential services in order to inform in addition to entertain the public, while safeguarding the health and safety of its employees and the public. Due to the decline in their revenues, a number of entities in the Corporation's various segments qualified for the Canada Emergency Wage Subsidy ("CEWS") at the beginning of the health crisis (note 3). Given the uncertainty about the future evolution of the pandemic, including a possible new wave, the full impact of the health crisis cannot be determined with certainty.

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, 2021 and 2020 (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 2020 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

These condensed consolidated financial statements were approved by the Corporation's Board of Directors on October 28, 2021.

Certain comparative figures for the three-month and nine-month periods ended September 30, 2020 have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2021.

2. Revenues

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Advertising services	\$ 58,998	\$ 50,563	\$ 203,594	\$ 155,408
Royalties	36,045	34,411	106,123	105,441
Rental, postproduction and distribution services and other services rendered ⁽¹⁾	39,560	17,256	93,453	52,415
Product sales ⁽²⁾	16,100	17,307	47,763	47,262
	\$ 150,703	\$ 119,537	\$ 450,933	\$ 360,526

(1) Revenues from rental of soundstages, mobiles, equipment and rental space amounted to \$17,510,000 and \$34,559,000 during the three-month and nine-month periods ended September 30, 2021 respectively (\$5,026,000 and \$17,252,000 during the same periods of 2020). Service revenues also include the activities of the 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, 2021 and 2020 (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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Purchases of goods and services:				
Rights and audiovisual content costs ⁽¹⁾	\$ 57,512	\$ 51,379	\$ 218,125	\$ 176,757
Printing and distribution	3,990	4,112	11,178	10,774
Services rendered by the parent corporation:				
- Commissions on advertising sales	4,867	5,172	18,430	16,080
- Other	1,962	1,876	6,357	6,374
Building costs	3,952	3,949	12,135	11,693
Marketing, advertising and promotion	3,543	4,298	11,742	9,736
Other	5,877	5,381	16,907	18,309
	81,703	76,167	294,874	249,723
Employee costs⁽²⁾	33,496	20,007	104,454	71,567
	\$ 115,199	\$ 96,174	\$ 399,328	\$ 321,290

- (1) In 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for National Hockey League ("NHL") games to better reflect the financial benefits arising from it. There were also a number of changes to the broadcast schedule for NHL games, since the 2019-2020 season was completed in the third quarter of 2020, the start of the 2020-2021 season was postponed to the beginning of 2021, and the 2020-2021 season was shortened. As a result, the timing of recognition in income of NHL content rights was changed.

Consequently, the cost of NHL rights decreased by \$11,533,000 for the third quarter of 2021 compared with the same period of 2020, and increased by \$13,294,000 for the nine-month period ended September 30, 2021 compared with the same period of 2020.

- (2) For the nine-month period ended September 30, 2021, employee costs are presented net of the \$3,185,000 that the Corporation recognized under the CEWS for employees whose work assignments were maintained (\$11,072,000 and \$25,616,000 for the three-month and nine-month periods ended September 30, 2020).

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

4. Financial expenses

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Interest on debt	\$ 228	\$ 145	\$ 614	\$ 760
Amortization of financing costs	13	13	39	48
Interest on lease liabilities	144	175	424	457
Interest expense related to defined-benefit plans	189	77	571	239
Foreign exchange (gain) loss	(12)	104	113	128
Other	87	120	294	337
	\$ 649	\$ 634	\$ 2,055	\$ 1,969

5. Operational restructuring costs and other

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Operational restructuring costs	\$ 16	\$ 903	\$ 394	\$ 3,153
Other	4	1,831	(212)	1,685
	\$ 20	\$ 2,734	\$ 182	\$ 4,838

Operational restructuring costs

For the three-month and nine-month periods ended September 30, 2021 and 2020, the Corporation recorded a net charge (net reversal of the charge) for operational restructuring in connection with the elimination of positions and the implementation of cost reduction measures. The segment breakdown is as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Broadcasting	\$ 68	\$ 433	\$ 729	\$ 1,872
Film Production & Audiovisual Services	–	368	7	1,050
Magazines	(52)	102	(342)	231
	\$ 16	\$ 903	\$ 394	\$ 3,153

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

5. Operational restructuring costs and other (continued)

Other

During the first nine months of 2021, the Corporation reversed a \$49,000 charge following remeasurement of the contingent consideration payable in connection with the acquisition of the companies in the Incendo group and made a \$606,000 payment with respect to this contingent consideration. In the third quarter of 2020, the Corporation recorded a \$1,728,000 charge in respect of the same contingent consideration.

In the first nine months of 2021, the Corporation also recorded a \$94,000 gain on write-off of lease liabilities. In the same period of 2020, the Corporation recognized a \$253,000 gain on disposal of an asset, for proceeds of \$310,000.

6. 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, 2021	December 31, 2020
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares	207,208	207,208
	\$ 207,280	\$ 207,280

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

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

(a) Stock option plans

	Outstanding options	
	Number	Weighted average exercise price
TVA Group		
As at December 31, 2020	795,000	\$ 2.06
Cancelled	(105,497)	2.43
As at September 30, 2021	689,503	\$ 2.00
Vested options as at September 30, 2021	25,000	\$ 6.85
Quebecor Media		
As at December 31, 2020	7,800	\$ 70.29
Exercised	(7,800)	70.29
As at September 30, 2021	–	\$ –
Quebecor		
As at December 31, 2020	590,795	\$ 30.30
Cancelled	(77,343)	29.22
As at September 30, 2021	513,452	\$ 30.47
Vested options as at September 30, 2021	–	\$ –

During the three-month period ended September 30, 2021, 1,500 Quebecor Media stock options were exercised for a cash consideration of \$71,000 (during the same period of 2020, 5,000 stock options were exercised for a cash consideration of \$180,000).

During the nine-month period ended September 30, 2021, 7,800 Quebecor Media stock options were exercised for a cash consideration of \$445,000 (during the same period of 2020, 23,800 stock options were exercised for a cash consideration of \$1,182,000).

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

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

(b) Deferred stock unit ("DSU") plans

TVA Group has a DSU plan for some management employees based on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). Quebecor also has a DSU plan 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. Under the TVA Group plan, holders of DSUs are entitled to collect dividends on TVA Group Class B Shares in the form of additional units. Under the Quebecor plan, holders of DSUs are entitled to collect dividends on Quebecor Class B Shares in the form of additional units.

The following table shows changes in outstanding DSUs during the nine-month period ended September 30, 2021:

	Outstanding units	
	Corporation stock units	Quebecor stock units
Balance as at December 31, 2020	156,564	25,472
Granted	—	451
Redeemed	(18,122)	(3,747)
Cancelled	(21,036)	(4,425)
Balance as at September 30, 2021	117,406	17,751

During the nine-month period ended September 30, 2021, 18,122 DSUs were redeemed under the Corporation's plan and 3,747 DSUs were redeemed under the Quebecor plan for cash considerations of \$43,000 and \$139,000 respectively (nil for the three-month and nine-month periods ended September 30, 2020).

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

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

(c) Deferred stock unit ("DSU") plan for directors

	Outstanding units
	Corporation stock units
Balance as at December 31, 2020	357,798
Granted	48,544
Redeemed	(36,413)
Balance as at September 30, 2021	369,929

During the three-month and nine-month periods ended September 30, 2021, 545 and 36,413 DSUs of the Corporation were redeemed for cash considerations of \$2,000 and \$106,000 respectively (nil for the same periods of 2020).

(d) Stock-based compensation expense

During the three-month and nine-month periods ended September 30, 2021, a compensation expense reversal in the amount of \$7,000 and a compensation expense of \$896,000 respectively were recorded in respect of all stock-based compensation plans (compensation expenses of \$688,000 and \$574,000 respectively for the same periods of 2020).

8. Pension plans and post-retirement benefits

The gain on remeasurement of defined benefit plans recognized on the consolidated statement of comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2021 mainly reflects the increase in the discount rate (the loss recognized for the same periods of 2020 was due primarily to the decrease in the discount rate).

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

9. Segmented information

The Corporation's operations 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 notably through its Communications Qolab inc. subsidiary (formerly COLAB Studio Marketing Collaboratif inc.);
- 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 ("media accessibility services"), postproduction and visual effects;
- 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.

TVA GROUP INC.

Notes to condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020 (unaudited)

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

9. Segmented information (continued)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2021	2020	2021	2020
Revenues				
Broadcasting	\$ 111,934	\$ 97,400	\$ 356,846	\$ 292,228
Film Production & Audiovisual Services	28,070	11,856	64,036	37,298
Magazines	11,630	12,569	33,645	32,899
Production & Distribution	4,133	1,884	11,755	9,506
Intersegment items	(5,064)	(4,172)	(15,349)	(11,405)
	150,703	119,537	450,933	360,526
Adjusted EBITDA⁽¹⁾				
Broadcasting	21,538	16,938	24,698	24,237
Film Production & Audiovisual Services	10,565	2,947	18,106	6,626
Magazines	2,048	2,999	5,569	6,553
Production & Distribution	1,243	427	2,974	1,522
Intersegment items	110	52	258	298
	35,504	23,363	51,605	39,236
Depreciation and amortization	8,136	8,124	24,338	25,126
Financial expenses	649	634	2,055	1,969
Operational restructuring costs and other	20	2,734	182	4,838
Income before income taxes and share of loss (income) of associates	\$ 26,699	\$ 11,871	\$ 25,030	\$ 7,303

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 other, income taxes and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

10. 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, the management of the Corporation does not expect their outcome to have a material adverse effect on the Corporation's results or on its financial position.