2019

THIRD QUARTER REPORT

FISCAL 2019

For the three-month and nine-month periods ended December 31, 2018

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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and accompanying notes for the three-month and the nine-month periods ended December 31, 2018 and 2017, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2018. This MD&A reflects information available to the Corporation as at February 6, 2019. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2018 available on SEDAR.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the Canadian Radio-television and Telecommunications Commission ("CRTC"); minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted Earnings Before Interests, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Stingray is the world-leading provider of multiplatform music and video services as well as digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, consumers, and more. Its services include audio television channels, 101 radio stations, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps. Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 100 million times.

The Corporation is headquartered in Montreal and currently has over 1,200 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Israel, and Australia.

KEY PERFORMANCE INDICATORS[(1)]

For the three-month period ended December 31, 2018 ("Q3 2019"):

$70.8 M	$33.4 M	$27.2 M	$16.0 M
▲ 101.6% from Q3 2018 Revenues	▲ 15.9% from Q3 2018 Recurring Broadcasting and Commercial Music revenues[(2)]	▲ 144.1% from Q3 2018 Adjusted EBITDA	▲ 99.4% from Q3 2018 Adjusted Free cash flow
34.1 %	**$0.065**	**$(18.1) M**	**$9.2 M**
% of international revenues[(3)]	▲ 18.2% from Q3 2018 Quarterly dividend per share	Or $(0.26) per share Net loss	▲ 39.0% from Q3 2018 CF from operating activities

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended December 31, 2018

Compared to the quarter ended December 31, 2017 ("Q3 2018"):

- Revenues increased 101.6% to $70.8 million from $35.1 million;
- Recurring Broadcasting and Commercial Music revenues[(2)] increased 15.9% to $33.4 million from $28.8 million;
- Adjusted EBITDA[(1)] increased 144.1% to $27.2 million from $11.2 million;
- Adjusted EBITDA[(1)] margin was 38.5% compared with 31.8%;
- Net loss was $18.1 million ($(0.26) per share) compared with a net income of $0.7 million ($0.01 per share) mainly attributable to the non-recurring expenses totaling $35.3 million related to the CRTC Tangible benefits expense and acquisition costs related to the Newfoundland Capital Corporation Inc. ("NCC") transaction;
- Adjusted Net income[(1)] of $12.4 million ($0.18 per share) compared with $6.0 million ($0.11 per share);
- Cash flow from operating activities increased 39.0% to $9.2 million compared to $6.6 million; and
- Adjusted free cash flow[(1)] increased 99.4% to $16.0 million compared to $8.0 million.

Notes:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.
(2) Recurring Broadcasting and Commercial Music revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include advertising, support, installation, equipment and one-time fees.
(3) International means all jurisdictions except Canada.
(4) In millions of Canadian dollars.

Business Highlights:

- On February 6, 2019, the Corporation declared a dividend of $0.065, representing an increase of 8.3% per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2019 to shareholders on record as of February 28, 2019.
- On January 8, 2019, the Corporation announced that the first two weeks (December 17 – 30, 2018) of Numeris measurement for the Stingray Music audio channels on television revealed impressive listenership results; Stingray Music reached over 15 million Canadians aged 2+ (41.4% of Canadians) and 41.6% of aged 25-54 (6.3 million); Stingray Music's English-language holiday programming channel alone reached over 7.2 million Canadians aged 2+; Stingray Music's French-language holiday programming channel alone reached over 1.9 million Canadians aged 2+ and Stingray Music represented 14.2% of audio market shares with the aged 2+ demographic and 12.8% of the audio market shares for the aged 25-54 demographic as measured by Numeris.
- On January 7, 2019, the Corporation announced that its wholly-owned subsidiary, Stingray Radio Inc., has entered into an agreement to acquire the assets of CHOO-FM in Drumheller, Alberta, from Golden West Broadcasting Ltd. subject to approval from the CRTC. If approved, the closing is expected to take place mid-2019. On December 15, 2018, NCC's official name changed to Stingray Radio Inc.
- On January 2, 2019, the Corporation announced that its previously-announced endeavors to acquire Music Choice have been terminated.
- On December 31, 2018, the Corporation signaled further expansion in the United States with the signature of a distribution agreement with Altice USA (NYSE: ATUS), one of the largest broadband communications and video services providers in the United States, bringing 50 Stingray Music audio channels and hundreds of music videos from Stingray's On-Demand catalog to Altice USA's 4.9 million Optimum and Suddenlink subscribers. Under the terms of the deal, Stingray Music and Stingray Music Videos will be included on Altice USA's Optimum and Suddenlink lineups. The deal also provides Altice USA with rights for other popular Stingray products, such as linear music video channels, subscription Video-On-Demand products, and TV apps.
- On December 28, 2018, the Corporation disposed of non-core assets, acquired as part of the NCC acquisition, for total consideration of $12.4 million.
- On December 13, 2018, the Corporation launched Piano Academy, an innovative mobile app designed to teach anyone how to play the piano.
- On December 5, 2018, the Corporation announced that Stingray Qello, a service that transforms any screen into a live concert experience, has signed a licensing agreement with The Orchard, a pioneering music, film and video distribution company operating in more than 40 global markets. Under this agreement, Stingray Qello will be granted the license to 108 sought-after concerts by artists represented by The Orchard such as Adele, Amy Winehouse, David Bowie, Jason Aldean, Dr. Dre, and Eminem. Additional shows will be added over the term of the agreement.
- On December 3, 2018, the Corporation announced that the Corporation's official name change from Stingray Digital Group Inc. to Stingray Group Inc. has been finalized.
- On November 5, 2018, the Corporation announced that it has entered into a subscription agreement with Irving West, Limited (the '"Investor") pursuant to which the Investor agreed to purchase an aggregate of 2,429,544 subordinate voting shares (the "Private Placement Shares") at a price of $10.29 per subordinate voting shares for total gross proceeds of $25.0 million.
- On October 26, 2018, the Corporation completed the acquisition of all the outstanding Class A Subordinate Voting shares and Class B Common shares (together the "NCC shares") of NCC for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of $484.3 million. The acquisition was authorized on October 23, 2018 by the CRTC.
- On October 10, 2018, the Corporation announced the acquisition of DJ-Matic, a provider of in-store media solutions (music, video, digital signage) for businesses with clients in Belgium, the Netherlands, Germany, and Denmark.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				9 months			
	Dec. 31, 2018 **Q3 2019**		Dec. 31, 2017 **Q3 2018**		Dec. 31, 2018 **YTD 2019**		Dec. 31, 2017 **YTD 2018**	
	$	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**
Revenues	70,772	100.0 %	35,099	100.0 %	139,920	100.0 %	95,991	100.0 %
Recurring Revenues[1]	33,364	47.1 %	28,788	82.0 %	94,811	67.8 %	81,056	84.4 %
Revenues	70,772	100.0 %	35,099	100.0 %	139,920	100.0 %	95,991	100.0 %
Operating expenses	43,669	61.8 %	24,716	70.4 %	91,627	65.5 %	68,515	71.4 %
CRTC Tangible benefits	25,306	35.8 %	-	- %	25,306	18.1 %	-	- %
Depreciation, amortization and write-off	8,870	12.5 %	5,286	15.1 %	21,155	15.1 %	15,674	16.3 %
Net finance expense (income)[2]	7,208	10.2 %	1,746	5.0 %	10,039	7.2 %	3,552	3.7 %
Change in fair value of investments	(840)	(1.2) %	(110)	(0.3) %	(901)	(0.6) %	1,021	1.1 %
Acquisition, legal, restructuring and integration expenses	10,729	15.2 %	1,875	5.3 %	13,685	9.8 %	9,235	9.6 %
Income (loss) before income taxes	(24,170)	(34.2) %	1,586	4.5 %	(20,991)	(15.0) %	(2,006)	(2.1) %
Income taxes	(6,117)	(8.6) %	849	2.4 %	(5,061)	(3.6) %	372	0.4 %
Net income (loss)	(18,053)	(25.5) %	737	2.1 %	(15,930)	(11.4) %	(2,378)	(2.5) %
Adjusted EBITDA[3]	27,219	38.5 %	11,151	31.8 %	49,827	35.6 %	29,772	31.0 %
Adjusted Net income[3]	12,396	17.5 %	6,016	17.1 %	25,002	17.9 %	17,126	17.8 %
Adjusted free cash flow[3]	15,998	22.6 %	8,022	22.9 %	27,644	19.8 %	22,115	23.0 %
Cash flow from operating activities	9,160	12.9 %	6,589	18.8 %	21,586	15.4 %	8,710	9.1 %
Net debt[3]	358,951	–	22,116	–	358,951	–	22,116	–
Net debt to Adjusted EBITDA[3][4][5]	3.19x	–	0.57x	–	3.19x	–	0.57x	–
Net income (loss) per share basic	(0.26)	–	0.01	–	(0.26)	–	(0.05)	–
Net income (loss) per share diluted	(0.26)	–	0.01	–	(0.26)	–	(0.05)	–
Adjusted Net income per share basic[3]	0.18	–	0.11	–	0.41	–	0.33	–
Adjusted Net income per share diluted[3]	0.18	–	0.11	–	0.40	–	0.32	–
Revenues by segment								
Broadcasting and Commercial Music	38,875	54.9 %	35,099	100.0 %	108,023	77.2 %	95,991	100.0 %
Radio	31,215	44.1 %	-	- %	31,215	22.3 %	-	- %
Corporate	682	1.0 %	-	- %	682	0.5 %	-	- %
Revenues	70,772	100.0 %	35,099	100.0 %	139,920	100.0 %	95,991	100.0 %
Revenues by geography								
Canada	46,738	66.0 %	16,219	46.3 %	74,601	53.3 %	45,590	47.5 %
United States	8,834	12.5 %	7,037	20.0 %	25,088	17.9 %	16,963	17.7 %
Other Countries	15,200	21.5 %	11,843	33.7 %	40,231	28.8 %	33,438	34.8 %
Revenues	70,772	100.0 %	35,099	100.0 %	139,920	100.0 %	95,991	100.0 %

Notes:

(1) Recurring Broadcasting and Commercial Music revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include advertising, support, installation, equipment and one-time fees.

(2) Interest paid during the Q3 2019 was $4,649 (Q3 2018; $150) and $5,509 for the YTD 2019 (YTD 2018; $995)

(3) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 6.

(4) As at December 31, 2017: net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA trailing twelve months (TTM).

(5) As at December 31, 2018: Pro Forma Adjusted EBITDA is calculated on the last twelve months for Stingray, on the last twelve months for NCC (previously disclosed EBITDA) including synergies of $8.2 million and the twelve months forecasted Adjusted EBITDA for DJ Matic and Novramedia.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt and Net debt to Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See "Supplemental information on Non-IFRS Measures" on page 2.

The following tables show the reconciliation of Net income to Adjusted EBITDA:

	3 months		9 months	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
(in thousands of Canadian dollars)	**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**
Net income (loss)	**(18,053)**	**737**	**(15,930)**	**(2,378)**
Net finance expense (income)	7,208	1,746	10,039	3,552
Change in fair value of investments	(840)	(110)	(901)	1,021
Income taxes	(6,117)	849	(5,061)	372
Depreciation and write-off of property and equipment	2,469	704	4,912	2,043
Amortization of intangible assets	6,401	4,582	16,243	13,631
Share-based compensation	263	346	796	852
Restricted, performance and deferred share unit expense	(147)	422	738	1,444
CRTC Tangible benefits	25,306	-	25,306	-
Acquisition, legal, restructuring and integration expenses	10,729	1,875	13,685	9,235
Adjusted EBITDA	**27,219**	**11,151**	**49,827**	**29,772**
Net finance expense (income)	(7,208)	(1,746)	(10,039)	(3,552)
Income taxes	6,117	(849)	5,061	(372)
Depreciation of property and equipment and write-off	(2,469)	(704)	(4,912)	(2,043)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits and acquisition, legal, restructuring and integration expenses	(11,263)	(1,836)	(14,935)	(6,679)
Adjusted Net income	**12,396**	**6,016**	**25,002**	**17,126**

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

	3 months		9 months	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
(in thousands of Canadian dollars)	**Q3 2019**	**Q3 2018**	**YTD 2019**	**YTD 2018**
Cash flow from operating activities	**9,160**	**6,589**	**21,442**	**8,710**
Add / Less :				
Acquisition of property and equipment	(1,972)	(2,188)	(5,688)	(3,700)
Acquisition of intangible assets other than internally developed intangible assets	(1,272)	(593)	(3,002)	(1,997)
Addition to internally developed intangible assets	(1,827)	(847)	(4,422)	(847)
Net change in non-cash operating working capital items	1,180	3,186	5,629	10,714
Acquisition, legal, restructuring and integration expenses	10,729	1,875	13,685	9,235
Adjusted free cash flow	**15,998**	**8,022**	**27,644**	**22,115**

The following table shows the calculation of Net debt:

(in thousands of Canadian dollars)	**December 31, 2018**	**March 31, 2018**	**December 31, 2017**
Credit facilities	314,543	38,627	26,633
Subordinated debt	49,513	-	-
Cash and cash equivalents	(5,105)	(3,362)	(4,517)
Net debt	**358,951**	**35,265**	**22,116**

FINANCIAL RESULTS FOR THE PERIODS ENDED DECEMBER 31, 2018 AND 2017

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

	3 months			9 months		
(in thousands of Canadian dollars)	2018	2017	% Change	2018	2017	% Change
Revenues by geography						
Canada	46,738	16,219	188.2	74,601	45,590	63.6
United States	8,834	7,037	25.5	25,088	16,963	47.9
Other Countries	15,200	11,843	28.3	40,231	33,438	20.3
Revenues	70,772	35,099	101.6	139,920	95,991	45.8

Global

Revenues in Q3 2019 increased $35.7 million or 101.6% to $70.8 million, from $35.1 million for Q3 2018. The increase in revenues was primarily due the acquisition of NCC, combined with the acquisition of DJ Matic and organic growth in Business to Consumer ("B2C") apps and SVOD.

Cumulative revenues for Fiscal 2019 increased $43.9 million or 45.8% to $139.9 million, from $96.0 million for cumulative Fiscal 2018. The increase in revenues was primarily due the acquisition of NCC, combined with the acquisition of Qello Concerts and DJ Matic and organic growth in B2C apps and SVOD.

Since the acquisition of NCC during Q3 2019, the Corporation reorganized its financial reporting process such that the chief operating decision maker is now assessing the financial performance of the Corporation in two separate segments: Broadcasting & Commercial Music and Radio. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance.

Canada

Revenues in Canada in Q3 2019 increased $30.5 million or 188.2% to $46.7 million, from $16.2 million for Q3 2018. The increase in revenues was primarily due the acquisition of NCC.

Cumulative revenues in Canada for Fiscal 2019 increased $29.0 million or 63.6% to $74.6 million, from $45.6 million for cumulative Fiscal 2018. The increase in revenues was primarily due the acquisition of NCC, partially offset by a decrease in equipment and installation sales related to digital signage.

United States

Revenues in United States in Q3 2019 increased $1.8 million or 25.5% to $8.8 million, from $7.0 million for Q3 2018. The increase in revenues was primarily due to organic growth in SVOD.

Cumulative revenues in United States for Fiscal 2019 increased $8.0 million or 47.9% to $25.1 million, from $17.0 million for cumulative Fiscal 2018. The increase in revenues was primarily due to the acquisition of Qello Concerts and organic growth in SVOD.

Other Countries

Revenues in Other countries in Q3 2019 increased $3.3 million or 28.3% to $15.2 million, from $11.9 million for Q3 2018. The increase in revenues was primarily due to the acquisition of DJ Matic and to organic growth in B2C apps and SVOD.

Cumulative revenues in Other countries for Fiscal 2019 increased $6.8 million or 20.3% to $40.2 million, from $33.4 million for cumulative Fiscal 2018. The increase in revenues was primarily due to the acquisition of DJ Matic and to organic growth in B2C apps and SVOD.

Operating Expenses

Operating expenses in Q3 2019 increased $19.0 million or 76.7% to $43.7 million, from $24.7 million for Q3 2018. The increase in operating expenses was primarily due to the acquisition of NCC, but mitigated by the fact that NCC has a higher gross margin and therefore proportionately lower operating expenses, combined with the acquisition of DJ Matic and organic growth in B2C apps and SVOD. Operating expenses for Broadcasting and Commercial Music remained relatively stable.

Cumulative operating expenses for Fiscal 2019 increased $23.1 million or 33.7% to $91.6 million, from $68.5 million for cumulative Fiscal 2018. The increase in operating expenses was primarily due the acquisition of NCC but mitigated by the fact that NCC has a higher gross margin and therefore proportionately lower operating expenses, combined with the acquisition of Qello Concerts and DJ Matic, as well as organic growth in B2C apps and SVOD.

Adjusted EBITDA(1)

Adjusted EBITDA in Q3 2019 increased $16.0 million or 144.1% to $27.2 million from $11.2 million for Q3 2018. Adjusted EBITDA margin was 38.5% compared to 31.8% for Q3 2018. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and SVOD. The increase in Adjusted EBITDA margin was mainly related to the new Radio segment, which has a higher gross margin.

Cumulative adjusted EBITDA for Fiscal 2019 increased $20.0 million or 67.4% to $49.8 million from $29.8 million for cumulative Fiscal 2018. Adjusted EBITDA margin was 35.6% compared to 31.0% for cumulative Fiscal 2018. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and other acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and SVOD. The increase in Adjusted EBITDA margin was mainly related to the new Radio segment, which has a higher gross margin, and to the decrease in equipment and installation sales in the Broadcasting and Commercial Music segment, which presents lower margins.

CTRC Tangible benefits

The CRTC approved the change in ownership and effective control of NCC on October 23, 2018. Pursuant to the decision, the CRTC required the Corporation to pay tangible benefits corresponding to an amount of $30,963 over a seven-year period in equal annual payments. In Q3 2019, the Corporation recognized an expense of $25.3 million, which reflects the fair value of the payment stream using a discount rate of 5.70%, which is the Corporation effective interest rate plus a risk premium. There was no CRTC Tangible benefits expense for Q3 2018.

Net Finance Expense (Income)

In Q3 2019, net finance expense increased to $7.2 million from $1.7 million for Q3 2018. Cumulative net finance expense for Fiscal 2019 increased to $10.0 million from $3.6 million for cumulative Fiscal 2018. Both increases were mainly related to higher interest expense due to the additional debt related to the funding of the acquisition of NCC and negative foreign exchange impact.

Change in fair value of investments

In Q3 2019, a gain on fair value of $0.8 million was recorded compared to $0.1 million for Q3 2018. Cumulative gain on fair value for Fiscal 2019 of $0.9 million was recorded compared to a loss on fair value of $1.0 million for cumulative Fiscal 2018. The variances are related to the translation of an investment denominated in U.S. dollars to Canadian dollars.

Acquisition, legal, restructuring and integration expenses

	3 months			9 months		
(in thousands of Canadian dollars)	2018	2017	Change $	2018	2017	Change $
Acquisition	9,954	493	9,461	11,278	1,315	9,963
Legal	243	1,360	(1,117)	1,540	7,742	(6,202)
Restructuring and integration	471	-	471	770	-	770
Other	61	22	39	97	178	(81)
Acquisition, legal, restructuring and integration expenses	10,729	1,875	8,854	13,685	9,235	4,450

In Q3 2019, acquisition, legal, restructuring and integration expenses increased to $10.7 million from $1.8 million for Q3 2018. Cumulative acquisition, legal, restructuring and integration expenses for Fiscal 2019 increased to $13.7 million from $9.2 million for cumulative Fiscal 2018. Both increases were mainly related to the acquisition of NCC, partially offset by lower legal expenses related to the Music Choice litigation.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Income Taxes

The income taxes recovery recognized in the comprehensive income was $6.1 million for Q3 2019 compared to an income taxes expense of $0.8 million for Q3 2018. The effective tax rate for Q3 2019 was 25.3% compared to 53.5% for Q3 2018. The decrease in the effective tax rate is mainly due to the relative importance of permanent difference compared to net income (loss) before income taxes.

In Q3 2019, share issuance costs amounted to $6.7 million ($2.3 million for Q3 2018) have been recognized as a reduction of share capital net of income taxes of $1.8 million ($0.6 million for Q3 2018).

The income taxes recovery recognized in the comprehensive income was $6.6 million for cumulative Fiscal 2019 compared to an income taxes expense of $0.4 million for cumulative Fiscal 2018. The effective tax rate for cumulative Fiscal 2019 was 24.1% compared to (18.5%) for cumulative Fiscal 2018. The increase in the effective tax rate is mainly due to the relative importance of permanent difference compared to net income (loss) before income taxes.

For cumulative Fiscal 2019, share issuance costs amounted to $6.7 million ($2.3 million for cumulative Fiscal 2018) have been recognized as a reduction of share capital net of income taxes of $1.8 million ($0.6 million for cumulative Fiscal 2018).

Net income (loss) and net income (loss) per share

Net loss in Q3 2019 was $18.1 million ($(0.26) per share) compared to a net income of $0.7 million ($0.01 per share) for Q3 2018. The decrease was mainly attributable to the non-recurring CRTC Tangible benefits expense of $25.3 million related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results.

Cumulative net loss for Fiscal 2019 was $15.2 million ($(0.25) per share) compared to $2.4 million ($(0.05) per share) of net loss for cumulative Fiscal 2018. The net loss was mainly attributable to the CRTC Tangible benefits expense related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results and lower legal expenses related to the Music Choice litigation.

Adjusted Net income[(1)] and Adjusted Net income per share[(1)]

Adjusted net income in Q3 2019 was $12.4 million ($0.19 per share), compared to $6.0 million ($0.11 per share) for Q3 2018, as higher operating results were partially offset by higher interest expenses.

Cumulative adjusted net income for Fiscal 2019 was $25.0 million ($0.40 per share), compared to $17.1 million ($0.32 per share) for cumulative Fiscal 2018, as higher operating results were partially offset by higher interest expenses.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

	3 months			9 months		
(in thousands of Canadian dollars)	2018	2017	% Change	2018	2017	% Change
Revenues	38,875	35,099	10.8	108,023	95,991	12.5
Operating expenses	25,630	22,842	12.2	69,844	62,971	10.9
Adjusted EBITDA[1]	13,245	12,257	8.1	38,179	33,020	15.6
Adjusted EBITDA margin[1]	34.1%	34.9%	(2.4)	35.3%	34.4%	2.7

Revenues

In Q3 2019, Broadcasting and Commercial Music revenues increased $3.8 million or 10.8% to $38.9 million from $35.1 million for Q3 2018. This increase is mostly attributable to the contribution from the acquisitions of DJ Matic and Novramedia and, to a lesser extent, to revenues from B2C apps and SVOD, partially offset by lower non-recurring equipment and installation sales related to digital signage. During the quarter, existing operations excluding non-recurring equipment and installation sales related to digital signage experienced organic growth of 2%, which also contributed to the increase in the segment's revenues.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2019 increased $12.0 million or 12.5% to $108.8 million from $96.0 million for cumulative Fiscal 2018. This increase is mostly attributable to the contribution from the acquisitions of Qello Concerts, DJ Matic and Novramedia and to revenues from B2C apps and SVOD, partially offset by lower non-recurring equipment and installation sales related to digital signage. Cumulative existing operations excluding non-recurring equipment and installation sales related to digital signage experienced organic growth of 5%, which also contributed to the increase in the segment's revenues.

Adjusted EBITDA[1]

In Q3 2019, Broadcasting and Commercial Music Adjusted EBITDA increased by $1.0 million or 8.1% to $13.3 million from $12.3 million for Q3 2018. This increase is mostly attributable to the contribution from the acquisition of DJ Matic and, to a lesser extent, of subscriber revenues from B2C apps and SVOD. The slight decrease in Adjusted EBITDA margin was mainly related to the acquisition of DJ Matic, which has a lower margin.

Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2019 increased $15.2 million or 15.8 % to $38.2 million from $33.0 million for cumulative Fiscal 2018. This increase is mostly attributable to the contribution from the acquisition of Qello Concerts and DJ Matic and, to a lesser extent, of subscriber revenues from B2C apps and SVOD. The increase in Adjusted EBITDA margin was mainly related to the decrease in non-recurring equipment and installation sales related to digital signage in cumulative Fiscal 2019. Equipment and installation sales tend to have lower margin.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

RADIO

(in thousands of Canadian dollars)	3 months			9 months		
	2018	2017	% Change	2018	2017	% Change
Revenues	31,215	-	-	31,215	-	-
Operating expenses	16,115	-	-	16,115	-	-
Adjusted EBITDA[(1)]	15,100	-	-	15,100	-	-
Adjusted EBITDA margin[(1)]	48.4%	-%	-%	48.4%	-%	-%

Revenues

Radio revenues represented $31.2 million for Q3 2019 and for cumulative Fiscal 2019. This increase is attributable to the contribution from the acquisition of NCC, since the Corporation started to recognize results on October 26, 2018, date of the closing of the transaction.

Adjusted EBITDA[(1)]

Radio Adjusted EBITDA represented $15.1 million for Q3 2019 and for cumulative Fiscal 2019. This increase is attributable to the contribution from the acquisition of NCC, since the Corporation started to recognize results on October 26, 2018, date of the closing of the transaction.

CORPORATE

(in thousands of Canadian dollars)	3 months			9 months		
	2018	2017	% Change	2018	2017	% Change
Revenues	682	-	-	682	-	-
Operating expenses	1,924	1,874	2.7	5,668	5,544	2.2
Adjust:						
Share-based compensation	(263)	(346)	(24.0)	(796)	(852)	(6.6)
Restricted, performance and deferred share unit expense	147	(422)	(134.8)	(738)	(1,444)	(48.9)
Adjusted EBITDA[(1)]	(1,126)	(1,106)	1.8	(3,452)	(3,248)	6.3

The Corporate segment derives its revenue from hotel operations, which was acquired through the NCC acquisition. Corporate expenses are related to head office functions and hotel operations. The hotel was disposed of on December 28, 2018. No gain or loss on disposal were recorded in the results as the assets and liabilities were recognized at fair value through the purchase price allocation of NCC.

Revenues

Corporate revenues represented $0.7 million for Q3 2019 and cumulative Fiscal 2019. This increase is attributable to the hotel's operations.

Adjusted EBITDA[(1)]

Corporate Adjusted EBITDA represented the net revenues of the hotel's operations and the head office operating expenses less the share-based compensation and restricted, performance and deferred share unit expense. In Fiscal 2018, restricted, performance and deferred share unit expense was higher due to the higher value of the Stingray stock price.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Quarterly results

Revenues increased over the last eight quarters from $26.5 million in the fourth quarter of Fiscal 2017 to $70.8 million in the third quarter of Fiscal 2019. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts in all geographic locations. The decrease in Q4 2018 revenues compared to Q3 2018 was mainly explained by lower non-recurring revenues related to digital signage in Commercial Music. The increase in Q3 2019 was mainly explained by the acquisition of NCC.

Adjusted EBITDA increased over the last eight quarters from $9.0 million in the fourth quarter of Fiscal 2017 to $27.2 million in the third quarter of Fiscal 2019. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The increase in Q3 2019 was primarily due to the acquisition of NCC and acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and SVOD.

Net income (loss) fluctuated over the last eight quarters from a net income of $4.6 million in the fourth quarter of Fiscal 2017 to a net loss of $18.0 million in the third quarter of Fiscal 2019. In Q4 2017, the Corporation recorded an income tax recovery on the recognition of deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million. In Q1 2018, the decrease in net income was mainly related to higher legal expenses and higher amortization expense on intangible assets related to acquisitions. In Q2 2018, the net loss was mainly related to higher legal fees and finance expenses, offset partially by an income tax recovery. In Q3 2018, the net income was mainly attributable to higher operating results and lower legal fees, partially offset by the negative change in fair value of contingent consideration and higher amortization expense of intangible assets compared to Q2 2018. In Q4 2018, the increase in net income was mainly attributable to higher net finance income and income tax recovery. In Q3 2019, the decrease was mainly attributable to the non-recurring CRTC Tangible benefits expense of $26.2 million related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017
Revenues by segment								
Broadcasting and Commercial Music	38,875	34,692	34,456	34,223	35,099	31,222	29,670	26,502
Radio	31,215	-	-	-	-	-	-	-
Corporate	682	-	-	-	-	-	-	-
Total revenues	**70,772**	**34,692**	**34,456**	**34,223**	**35,099**	**31,222**	**29,670**	**26,502**
Revenues by geography								
Canada	46,738	14,222	13,641	13,658	16,219	14,833	14,538	14,000
United States	8,834	8,069	8,185	8,331	7,037	5,222	4,704	3,838
Other countries	15,200	12,401	12,630	12,234	11,843	11,167	10,428	8,664
Total revenues	**70,772**	**34,692**	**34,456**	**34,223**	**35,099**	**31,222**	**29,670**	**26,502**
Adjusted EBITDA[(1)]	**27,219**	**11,429**	**11,179**	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**
Net income (loss)	**(18,053)**	**777**	**1,346**	**4,674**	**737**	**(3,395)**	**280**	**4,608**
Net income (loss) per share basic	(0.26)	0.01	0.02	0.08	0.01	(0.07)	0.01	0.09
Net income (loss) per share diluted	(0.26)	0.01	0.02	0.08	0.01	(0.07)	0.01	0.09
Adjusted Net income[(1)]	**12,396**	**6,708**	**5,898**	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**
Adjusted Net income per share basic[(1)]	0.18	0.12	0.10	0.17	0.11	0.10	0.11	0.21
Adjusted Net income per share diluted[(1)]	0.18	0.12	0.10	0.17	0.11	0.10	0.11	0.20
Cash flow from operations	**9,160**	**5,506**	**6,920**	**10,675**	**6,589**	**2,710**	**(589)**	**10,826**
Adjusted Free Cash Flow[(1)]	**15,998**	**5,448**	**6,198**	**11,066**	**8,022**	**6,853**	**7,240**	**7,991**
Quarterly dividend	**0.065**	**0.06**	**0.06**	**0.055**	**0.055**	**0.05**	**0.05**	**0.045**

Note:

(1) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Reconciliation of Quarterly Non-IFRS Measures" on page 6.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017
Net income (loss)	**(18,053)**	**777**	**1,346**	**4,674**	**737**	**(3,395)**	**280**	**4,608**
Net finance expense (income)	7,208	910	1,921	(378)	1,746	1,269	537	1,006
Change in fair value of investments	(840)	436	(497)	(421)	(110)	697	434	334
Income taxes	(6,117)	567	489	(385)	849	(941)	464	(5,201)
Depreciation and write-off of property and equipment	2,469	1,274	1,169	1,019	704	718	621	724
Amortization of intangible assets	6,401	5,255	4,587	4,594	4,582	4,508	4,541	3,895
Share-based compensation	263	358	175	473	346	312	194	372
Restricted, performance and deferred share unit expense	(147)	518	367	780	422	709	313	688
CRTC Tangible benefits	25,306	-	-	-	-	-	-	-
Acquisition, legal, restructuring and integration expenses	10,729	1,334	1,622	1,396	1,875	5,575	1,785	2,620
Adjusted EBITDA	**27,219**	**11,429**	**11,179**	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**
Net finance expense (income)	(7,208)	(910)	(1,921)	378	(1,746)	(1,269)	(537)	(1,006)
Income taxes	6,117	(567)	(489)	385	(849)	941	(464)	5,201
Depreciation and write-off of property and equipment	(2,469)	(1,274)	(1,169)	(1,019)	(704)	(718)	(621)	(724)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits and acquisition, legal, restructuring and integration expenses	(11,263)	(1,970)	(1,702)	(1,764)	(1,836)	(2,999)	(1,844)	(1,983)
Adjusted Net income	**12,396**	**6,708**	**5,898**	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**

(in thousands of Canadian dollars)	3 months							
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017
Cash flow from operating activities	**9,160**	**5,506**	**6,920**	**10,675**	**6,589**	**2,710**	**(589)**	**10,826**
Acquisition of property and equipment	(1,972)	(1,488)	(2,228)	(846)	(2,188)	(705)	(807)	(513)
Acquisition of intangible assets other than internally developed intangible assets	(1,272)	(1,383)	(347)	(406)	(593)	(1,000)	(404)	(9)
Addition to internally developed intangible assets	(1,827)	(1,390)	(1,205)	(1,166)	(847)	-	-	-
Net change in non-cash operating working capital items	1,180	2,869	1,436	1,413	3,186	273	7,255	(4,933)
Acquisition, legal, restructuring and integration expenses	10,729	1,334	1,622	1,396	1,875	5,575	1,785	2,620
Adjusted free cash flow	**15,998**	**5,448**	**6,198**	**11,066**	**8,022**	**6,853**	**7,240**	**7,991**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE PERIODS ENDED DECEMBER 31, 2018 AND 2017

	3 months		9 months	
(in thousands of Canadian dollars)	2018	2017	2018	2017
Operating activities	9,160	6,589	21,442	8,710
Financing activities	455,471	(744)	459,857	16,099
Investing activities	(461,699)	(3,516)	(479,556)	(26,154)
Net change in cash	2,932	2,329	1,743	(1,345)
Cash – beginning of period	2,173	2,188	3,362	5,862
Cash – end of period	5,105	4,517	5,105	4,517
Adjusted free cash flow	15,998	8,022	27,644	22,115

Operating activities

Cash flow generated from operating activities amounted to $9.2 million for Q3 2019 compared to $6.6 million for Q3 2018. The increase was mainly due to higher operating results, partially offset by higher acquisition expenses and higher interest paid.

Cash flow generated from operating activities amounted to $21.4 million for cumulative Fiscal 2019 compared to $8.7 million for cumulative Fiscal 2018. The increase was mainly due to higher operating results, partially offset by higher acquisition expenses, higher interest paid and income taxes paid.

Financing Activities

Net cash flow generated by financing activities amounted to $455.4 million for Q3 2019 compared to cash flow used for financing activities of $(0.7) million for Q3 2018. Net cash flow generated by financing activities amounted to $459.9 million for cumulative Fiscal 2019 compared to $16.1 million for cumulative Fiscal 2018. The net changes were mainly attributable to the funding of the NCC acquisition, which was financed through credit facilities, a subordinated debt and share issuances. The Corporation also paid other payables related to prior acquisitions and a higher dividend in Q3 2019 and cumulative Fiscal 2019.

Investing Activities

Net cash flow used in investing activities amounted to $461.7 million for Q3 2019 compared to $3.6 million for Q3 2018. Net cash flow used in investing activities amounted to $479.6 million for cumulative Fiscal 2019 compared to $26.2 million for cumulative Fiscal 2018. The net changes were primarily due to the acquisitions of NCC and DJ Matic, partially offset by the proceeds from the disposal of some non-core assets previously held by NCC.

Adjusted free cash flow[1]

Adjusted free cash flow generated in Q3 2019 amounted to $16.0 million compared to $8.0 million for Q3 2018. The increase was mainly related to higher operating results offset by higher interest paid.

Adjusted free cash flow generated in cumulative Fiscal 2019 amounted to $27.6 million compared to $22.1 million for cumulative Fiscal 2018. The increase was mainly related to higher operating results, partially offset by higher capital expenditures and higher interest paid.

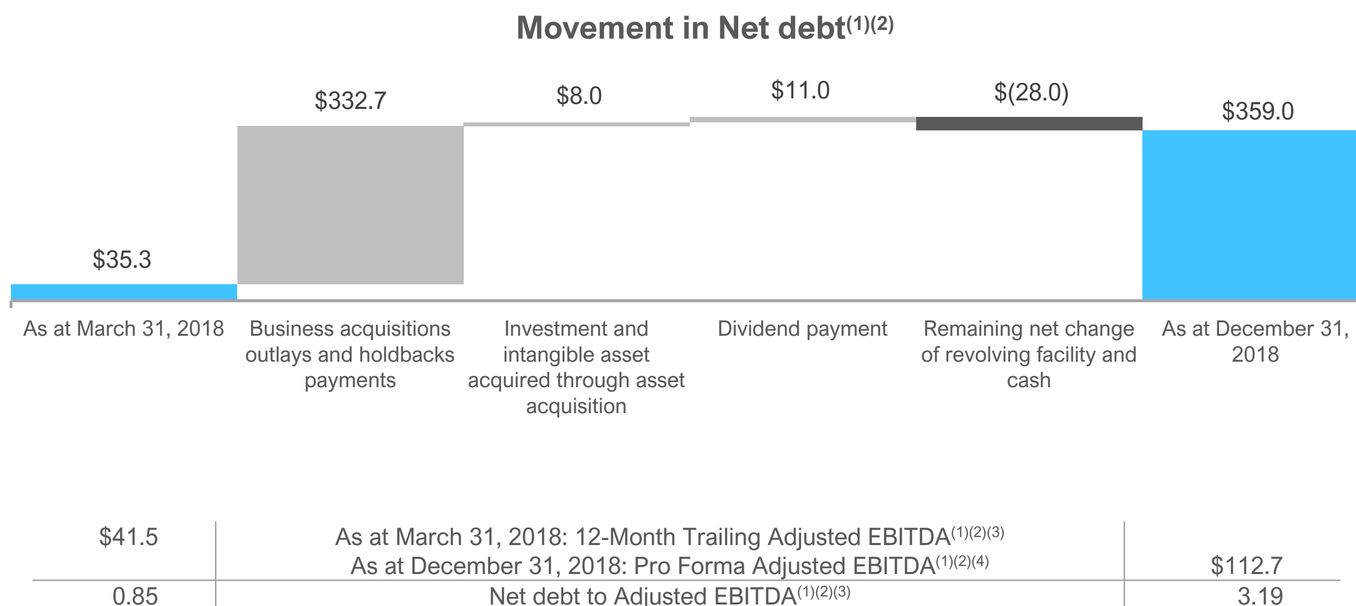
Note:
(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the nine-month period ending December 31, 2018:

(in thousands of Canadian dollars)	Dec. 31, 2018	March 31, 2018	Variance		Significant contributions
Trade and other receivables	74,884	34,834	40,050	▲	Accounts receivables related to the acquisition of NCC included in the Radio segment
Intangible assets	70,644	54,355	16,289	▲	Recognition of intangibles following the acquisitions of DJ Matic and Novramedia
Broadcast licences	301,102	-	301,102	▲	Recognition of broadcast licences following the acquisition of NCC
Goodwill	315,565	98,467	217,098	▲	Recognition of goodwill following the acquisitions of NCC, DJ Matic and Novramedia
Accounts payables and accrued liabilities	68,830	35,199	33,631	▲	Accounts payables related to the acquisition of NCC included in the Radio segment
Other liabilities	45,977	14,875	31,102	▲	Liability related to the CTRC tangible benefits for the NCC acquisition and contingent considerations assumed following the acquisitions of DJ Matic and Novramedia
Credit facility	314,543	38,627	275,916	▲	Funding of the acquisitions of NCC, DJ Matic and Novramedia
Subordinated debt	49,513	-	49,513	▲	Funding of the acquisition of NCC

The following table summarizes the impact on the Net debt that occurred in the nine-month period ended December 31, 2018 including related ratios:



$41.5	As at March 31, 2018: 12-Month Trailing Adjusted EBITDA(1)(2)(3) As at December 31, 2018: Pro Forma Adjusted EBITDA(1)(2)(4)	$112.7
0.85	Net debt to Adjusted EBITDA(1)(2)(3)	3.19

Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on pages 2 and 6.
(3) Adjusted EBITDA is calculated on the last twelve months in regards to the Net debt to Adjusted EBITDA ratio.
(4) Pro Forma Adjusted EBITDA is calculated on the last twelve months for Stingray, on the last twelve months for NCC (previously disclosed EBITDA) including synergies of $8.2 million and twelve months forecasted Adjuted EBITDA for DJ Matic and Novramedia.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against the Corporation on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602 (the '602 Patent), 9,357,245 (the '245 Patent), 7,320,025 (the '025 Patent) and 9,351,045 (the '045 Patent). On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121 (the '121 Patent). The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and the Corporation served its invalidity contentions on November 28, 2016. On March 27, 2017, the Corporation filed a motion for judgment on the pleadings on the basis that the Asserted Patents are invalid under 35 U.S.C. 101 for claiming unpatentable subject matter. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, the Corporation filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike the Corporation's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. On May 3, 2017, the magistrate judge handling the case issued a Report and Recommendation that the motion be dismissed, and on September 6, 2017, the Court adopted the report and denied Music Choice's motion. On July 6, 2017, the Court issued a Markman Order construing certain claim terms of the Asserted Patents. On September 14, 2017, Music Choice dropped one of the five patents-in-suit (the '602 Patent). On October 17, 2017, the Corporation filed a motion to adjourn the trial date and remaining case deadlines, in part because the Patent Trial and Appeal Board (PTAB) instituted *inter partes* review for three of the four patents-in-suit (*i.e.*, the '025, '045 and '245 Patents). On October 23, 2017, the Corporation filed a petition for *inter partes* review for claims 10 and 15 of the '245 Patent. On October 24, 2017, Music Choice requested adverse judgment against itself from the PTAB with respect to 1-9, 12-14, and 16-17 of the '245 Patent. On October 27, 2017, the PTAB instituted *inter partes* review on the fourth patent-in-suit (*i.e.,* the '121 Patent), and on October 30, 2017, the Corporation filed a motion to stay the litigation pending the *inter partes* reviews. On December 12, 2017, the Court granted the Corporation's motion to stay, staying the litigation pending resolution of the *inter partes* reviews, and dismissed without prejudice Stingray's motion for judgment on the pleadings. On March 26, 2018, the PTAB declined to institute an *inter partes* review for claims 10 and 15 of the '245 Patent. On April 26, 2018, the PTAB entered adverse judgment against Music Choice as to claims 1-9, 12-14, and 16-17 of the '245 Patent and terminated the proceeding. On June 19, 2018 and July 16, 2018, the PTAB held hearings for the instituted *inter partes* reviews. On September 20, 2018, the PTAB invalidated claims 1, 3 and 4 of the '025 Patent and stated that claim 8 was not shown to be unpatentable as anticipated by U.S. Patent Application Publication No. 2002/0078456 A1 (Hudson). On October 11, 2018, the PTAB invalidated claims 1-4 and 6-9 of the '045 Patent and stated that claims 5 and 10-20 were not shown to be unpatentable as obvious in view of Hudson and U.S. Patent No. 6,248,946. On October 17, 2018, the PTAB invalidated all of the claims of the '602 Patent. On October 24, 2018, the PTAB invalidated claims 1, 6, and 10-12 of the '121 Patent and stated the claim 14 was not shown to be unpatentable as anticipated by U.S. Patent No. 5,752,160. Since claim 14 of the '121 Patent is not asserted in the litigation, the '121 Patent is no longer at issue in the district court litigation. On November 23, 2018, the parties filed a joint status report advising the district court as to the outcome of the proceedings and a joint motion proposing a docket control order. On November 26, 2018, the Court lifted the stay and entered an Amended Docket Control Order. Trial is scheduled for August 19, 2019.

Stingray v. Music Choice

SMU filed its Complaint on August 30, 2016, asserting claims of unfair competition under the Federal Lanham Act, defamation, trade libel, tortious interference, and common law unfair competition, stemming from false misrepresentations of fact made by Music Choice regarding the nature, characteristics and qualities of Stingray Music and its products and services, to SMU's existing and potential customers, with the goal of damaging SMU's relationships with those customers and its business generally. On October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of SMU's claims are time-barred. In response, on November 3, 2016, SMU filed an Amended Complaint, after which (on December 7, 2016), Music Choice moved to dismiss only the state law claims. Music Choice also filed a motion to transfer the case to the Eastern District of Pennsylvania. On January 4, 2017, SMU opposed both motions. In addition, SMU filed a motion to consolidate the action with the Music Choice patent infringement action.

On March 16, 2017, the Court denied Music Choice's motion to change venue, and granted SMU's motion to consolidate, ordering that this action be consolidated for all pretrial issues with the Music Choice v. Stingray action. Music Choice's motion to dismiss the state law claims remains pending. On March 30, 2017, Music Choice answered SMU's complaint (except for the state law claims that remain subject to its pending motion to dismiss) and asserted a counterclaim against SMU and the Corporation. Music Choice's counterclaim alleges that the Stingray entities misused Music Choice confidential data in violation of various non-disclosure agreements (the "NDAs"). These non-disclosure agreements arose from discussions between the parties concerning a possible acquisition of Music Choice by the Corporation. The Corporation's entities answered the counterclaim on April 28, 2017, denying the allegations and asserting various affirmative defenses, including that Music Choice acted fraudulently and in bad faith with regard to the NDAs. Fact discovery has closed, and expert discovery has commenced. Trial is scheduled for August 19, 2019.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (together, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. While the Objectors and the Collectives await the final determination of the Board on the proper quantum of the Tariff, in early 2018 the Board released a tentative ruling proposing that allocation of affiliation payments across the suite of Stingray services is reasonable and appropriate and asking the parties to propose favoured approaches to allocation. The parties have responded to the Board's request, with the Objectors proposing an allocation based on a "cost approach", as supported by independent, expert advice. The Copyright Board of Canada continues its consideration of the matter, and the Corporation anticipates a decision in about 6 to 15 months, based on past experience and the complexity of this proceeding.

Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2018.

Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation.

Key management personnel compensation and director's fees include the following:

	3 months		9 months	
(in thousands of Canadian dollars)	2018	2017	2018	2017
Short-term employee benefits	1,103	1,014	3,251	3,162
Share-based compensation	114	258	506	650
Restricted and performance share units	166	133	577	362
Deferred share units	(435)	97	116	648
	948	1,502	4,450	4,822

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been discussed under "Contractual Obligations"), that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	February 6, 2018	December 31, 2018
Issued and outstanding shares:		
Subordinate voting shares	57,718,270	57,709,570
Subordinate voting shares held in trust through employee share purchase plan	(4,011)	(19,391)
Variable subordinate voting shares	531,179	539,879
Multiple voting shares	17,941,498	17,941,498
Treasury shares held by the Corporation through a subsidiary	(80,000)	(80,000)
	76,106,936	76,091,556
Outstanding stock options:		
Stock options	2,183,795	2,183,795

The Corporation has a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, which was amended on June 7, 2017, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserve for issuance. In Q3 2019, 37,500 options were exercised, 261,078 options were forfeited, and 43,697 options were granted to eligible employees, subject to service vesting periods of 4 years.

Financial Risk Factors

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's AIF dated June 7, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to page 43 of the unaudited interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

The Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under

securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

During the third quarter ended December 31, 2018, except for the acquisition of Newfoundland Capital Corporation Limited, there have been no changes in the Corporation's internal control over financial reporting that occurred during the period that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Management's assessment of and conclusion on the design and the effectiveness of the Corporation's ICFR as at February 7, 2019, did not include the controls or procedures of the operations of Newfoundland Capital Corporation Limited, New Glasgow, DJ Matic and Novramedia. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Dividend

On February 6, 2019, the Corporation declared a dividend of $0.065 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2018 to shareholders on record as of February 28, 2019.

Acquisition

On January 7, 2019, the Corporation announced that it has entered into an agreement with Golden West Broadcasting Ltd. to acquire the assets of CHOO-FM in Drumheller, Alberta. The acquisition is subject to approval from the CRTC, which is expected to take place within the next 6 months.

Additional Information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at www.sedar.com.

Consolidated Statements of Comprehensive Income

Three-month and nine-month periods ended December 31, 2018 and 2017

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Note	3 months December 31, 2018	3 months December 31, 2017	9 months December 31, 2018	9 months December 31, 2017
Revenues		$ 70,772	$ 35,099	$ 139,920	$ 95,991
Operating expenses		43,669	24,716	91,627	68,515
CRTC tangible benefits		25,306	–	25,306	–
Depreciation, amortization and write-off		8,870	5,286	21,155	15,674
Net finance expense (income)	6	7,208	1,746	10,039	3,552
Change in fair value of investments	14	(840)	(110)	(901)	1,021
Acquisition, legal, restructuring and integration expenses	7	10,729	1,875	13,685	9,235
Income (loss) before income taxes		(24,170)	1,586	(20,991)	(2,006)
Income taxes		(6,117)	849	(5,061)	372
Net income (loss)		$ (18,053)	$ 737	$ (15,930)	$ (2,378)
Net income (loss) per share – Basic		(0.26)	0.01	(0.26)	(0.05)
Net income (loss) per share – Diluted		(0.26)	0.01	(0.26)	(0.05)
Weighted average number of shares – Basic		70,110,479	54,907,391	60,941,425	52,527,467
Weighted average number of shares – Diluted		70,500,827	55,482,062	61,830,272	53,081,137
Comprehensive income (loss)					
Net income (loss)		$ (18,053)	$ 737	$ (15,930)	$ (2,378)
Other comprehensive income (loss)					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		3,640	986	(647)	(598)
Total other comprehensive income (loss)		3,640	986	(647)	(598)
Total comprehensive income (loss)		$ (14,413)	$ 1,723	$ (16,577)	$ (2,976)

Net income (loss) is entirely attributable to Shareholders.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Financial Position

December 31, 2018 and March 31, 2018

(In thousands of Canadian dollars) (Unaudited)	Note		December 31, 2018		March 31, 2018
Assets					
Current assets					
Cash and cash equivalents		$	5,105	$	3,362
Trade and other receivables			74,884		34,834
Research and development tax credits			1,033		610
Income taxes receivable			1,089		989
Inventories			3,330		1,784
Other current assets			9,283		6,793
			94,724		48,372
Non-current assets					
Property and equipment	8		48,883		11,135
Intangible assets, excluding broadcast licences	8		70,644		54,355
Broadcast licences	8		301,102		–
Goodwill	8		315,565		98,467
Investments	14		17,334		15,533
Investment in an associate			1,106		1,106
Investment in joint venture			651		834
Other non-current assets			1,515		954
Deferred tax assets			21,392		12,950
Total assets		$	872,916	$	243,706
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities			68,830		35,199
Dividend payable			–		3,097
Deferred revenues			1,860		1,530
Current portion of other liabilities	11		19,664		13,212
Income taxes payable			9,274		2,403
			99,628		55,441
Non-current liabilities					
Credit facility	9		314,543		38,627
Subordinated debt	10		49,513		–
Other liabilities	11		45,977		14,875
Deferred tax liabilities			68,636		5,156
Total liabilities			578,297		114,099
Shareholders' equity					
Share capital	12		336,813		146,354
Contributed surplus			4,435		3,825
Deficit			(47,346)		(21,936)
Accumulated other comprehensive income (loss)			717		1,364
Total equity			294,619		129,607
Subsequent events (note 3)					
Total liabilities and equity		$	872,916	$	243,706

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director

(Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Nine-month periods ended December 31, 2018 and 2017

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital										
	Number		Amount		Contributed surplus		Deficit		Accumulated other comprehensive income (loss)		Total shareholders' equity
Balance at March 31, 2017	51,326,366	$	102,700	$	2,872	$	(10,299)	$	(325)	$	94,948
Issuance of shares upon exercise of options	55,198		240		(95)		–		–		145
Dividends	–		–		–		(7,691)		–		(7,691)
Issuance of subordinate voting shares and variable subordinate voting shares (note 12)	4,900,200		45,082		–		–		–		45,082
Share issuance costs, net of income taxes of $604 (note 12)	–		(1,666)		–		–		–		(1,666)
Share-based compensation	–		–		765		–		–		765
Employee share purchase plan (note 12)	(1,839)		(17)		–		–		–		(17)
Net loss	–		–		–		(2,378)		–		(2,378)
Other comprehensive loss	–		–		–		(37)		(598)		(635)
Balance at December 31, 2017	56,279,925	$	146,339	$	3,542	$	(20,405)	$	(923)	$	128,553
Balance at March 31, 2018	56,305,753	$	146,354	$	3,825	$	(21,936)	$	(1,364)	$	129,607
Issuance of shares upon exercise of options (note 12)	87,500		520		(208)		–		–		312
Dividends	–		–		–		(9,480)		–		(9,480)
Issuance of subordinate voting shares and variable subordinate voting shares	18,144,470		178,559		–		–		–		178,559
Issuance of multiple voting shares	1,647,213		17,110		–		–		–		17,110
Share issuance costs, net of income taxes of $1,780 (note 12)	–		(4,899)		–		–		–		(4,899)
Share-based compensation	–		–		720		–		–		720
Employee share purchase plan (note 12)	(13,380)		(118)		98		–		–		(20)
Treasury shares held by the Corporation through a subsidiary	(80,000)		(713)		–		–		–		(713)
Net loss	–		–		–		(15,930)		–		(15,930)
Other comprehensive loss	–		–		–		–		(647)		(647)
Balance at December 31, 2018	76,091,556	$	336,813	$	4,435	$	(47,346)	$	717	$	294,619

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three-month and nine-month periods ended December 31, 2018 and 2017

(In thousands of Canadian dollars) (Unaudited)	Note	3 months December 31, 2018	3 months December 31, 2017	9 months December 31, 2018	9 months December 31, 2017
Operating activities:					
Net income (loss)		$ (18,053)	$ 737	$ (15,930)	$ (2,378)
Adjustments for:					
CRTC tangible benefits		25,306	–	25,306	–
Share-based compensation		263	346	796	852
Restricted and performance share unit expenses		288	325	931	796
Deferred share unit expense		(435)	97	(193)	648
Depreciation and write-off of property and equipment		2,469	704	4,912	2,043
Amortization of intangible assets		6,401	4,582	16,243	13,631
Interest expense and standby fees	6	4,866	216	5,506	1,070
Change in fair value of investments		(840)	(110)	(901)	1,021
Change in fair value of contingent consideration	6	628	1,575	2,003	2,198
Accretion expense and amortization of other liabilities	6	720	172	1,091	674
Share of results of joint venture		39	(20)	183	(58)
Income tax expense		(6,117)	849	(5,061)	372
Interest paid		(4,649)	(150)	(5,509)	(995)
Income taxes received (paid)		(546)	452	(2,306)	(450)
		10,340	9,775	27,071	19,424
Net change in non-cash operating items	13	(1,180)	(3,186)	(5,629)	(10,714)
		9,160	6,589	21,442	8,710
Financing activities:					
Increase (decrease) of credit facility		259,642	(40,800)	278,344	(14,407)
Increase of subordinated debt		50,000	–	50,000	–
Issuance of shares		165,111	45,082	165,111	45,082
Share issuance costs		(6,672)	(2,152)	(6,679)	(2,152)
Payment of dividend		(4,571)	(2,814)	(11,050)	(7,691)
Deferred financing fees		(3,089)	–	(3,089)	–
Proceeds from the exercise of stock options		244	47	312	145
Shares purchased under the employee share purchase plan		(26)	(17)	(118)	(17)
Repayment of other liabilities		(5,168)	(90)	(12,974)	(4,861)
		455,471	(744)	459,857	16,099
Investing activities:					
Business acquisitions, net of cash acquired	4	(468,128)	–	(473,624)	(19,722)
Disposal of non-core assets	8	11,500	–	11,500	–
Investment in an associate		–	(1,106)	(320)	(1,106)
Acquisition of an investment		–	1,218	(900)	1,218
Intangible assets acquired through asset acquisition		–	–	(3,100)	–
Acquisition of property and equipment		(1,972)	(2,188)	(5,688)	(3,700)
Acquisition of intangible assets other than internally developed intangible assets		(1,272)	(593)	(3,002)	(1,997)
Addition to internally developed intangible assets		(1,827)	(847)	(4,422)	(847)
		(461,699)	(3,516)	(479,556)	(26,154)
Increase (decrease) in cash and cash equivalents		2,932	2,329	1,743	(1,345)
Cash and cash equivalents, beginning of period		2,173	2,188	3,362	5,862
Cash and cash equivalents, end of period		$ 5,105	$ 4,517	$ 5,105	$ 4,517

The accompanying notes are an integral part of these interim consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

1. BUSINESS DESCRIPTION

Stingray Group Inc. (formerly Stingray Digital Group Inc.) (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

Effective December 1, 2018, the Corporation changed its name to Stingray Group Inc.

2. SIGNIFICANT CHANGES AND HIGHLIGHTS

The interim consolidated financial position and performance of the Corporation was particularly affected by the following events and transactions during the three-month and nine-month periods ended December 31, 2018:

- On November 26, 2018, the Corporation signed an agreement with Hector Broadcasting Company Limited to acquire the assets of two radio stations located in New Glasgow, Nova Scotia, for total consideration of $2,325. It resulted in the recognition of broadcast licences (notes 4 and 8) and balance payable on business acquisitions (notes 4 and 11).

- On November 13, 2018, the Corporation completed a subscription agreement with Irving West, Limited (the "investor") pursuant to which the investor purchased an aggregate of 2,429,544 subordinate voting shares at a price of $10.29 per subordinate voting shares for total gross proceeds of $25,000. It resulted in a decrease of the credit facility (note 9) and increase of share capital (note 12).

- On October 26, 2018, the Corporation completed the acquisition of all the outstanding Class A Subordinate Voting shares and Class B Common shares (together the "NCC shares") of Newfoundland Capital Corporation Limited ("NCC") for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of $484,252. The acquisition was authorized on October 23, 2018 by the Canadian Radio-television and Telecommunications Commission (CRTC). It resulted in the recognition of goodwill (notes 4 and 8) and broadcast licences (notes 4 and 8).

- On August 21, 2018, effective October 26, 2018, the Corporation amended its existing $100,000 credit facility (the "Credit facility") by increasing the authorized amount up to $450,000 and extending the maturity to October 26, 2021 to finance the acquisition of NCC. The Credit facility consists of a revolving credit facility for an authorized amount up to $300,000 and a non-revolving term facility in the amount of $150,000. Refer to note 9 for more detail on the credit facility.

- On July 11, 2018, effective October 26, 2018, the Corporation entered into a loan agreement in the amount of $50,000. The loan matures on October 26, 2023. Refer to note 10 for more detail on the transaction.

- On October 12, 2018, the Corporation signed an agreement to acquire all of the outstanding shares of DJ-Matic, a provider of in-store media solutions for businesses with clients in Belgium, the Netherlands, Germany, and Denmark for total consideration of EUR$10,163 ($15,775). It resulted in the recognition of goodwill (notes 4 and 8), intangible assets (notes 4 and 8) and contingent consideration (notes 4 and 11).

- On August 1, 2018, the Corporation signed an agreement to acquire all of the outstanding shares of Novramedia Inc., a Toronto-based leader in the design, development, and implementation of digital media solutions for total consideration of $7,737. It resulted in the recognition of goodwill (notes 4 and 8), intangible assets (notes 4 and 8) and contingent consideration (notes 4 and 11).

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

- On June 19, 2018, the Corporation announced that it has acquired a minority stake in Nextologies Limited resulting in the recognition of an investment of $900 and intangible asset of $9,100 (note 8), of which $7,100 was paid as at December 31, 2018. The balance payable on asset acquisition of $2,000 is presented in other liabilities (note 11).
- To finance part of the NCC acquisition, on May 23, 2018, the Corporation completed a subscription receipt offering for gross proceeds of $83,002 and net proceeds of $79,682 and closed a private placement deal of $39,999. On October 26, 2018, the holders of the outstanding subscription receipts exercised their conversion rights and consequently the Corporation issued shares from treasury (note 12).

3. SUBSEQUENT EVENTS

Acquisition

On January 7, 2019, the Corporation announced that it has entered into an agreement with Golden West Broadcasting Ltd. to acquire the assets of CHOO-FM in Drumheller, Alberta. The acquisition is subject to approval from the CRTC, which is expected to take place within the next 6 months.

Dividend

On February 6, 2019, the Corporation declared a dividend of $0.065 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2019 to shareholders on record as of February 28, 2019.

4. BUSINESS ACQUISITIONS

Nine-month period ended December 31, 2018

New Glasgow

On November 26, 2018, the Corporation purchased the assets of two radio stations, CKEC-FM and CKEZ-FM, located in New Glasgow, Nova Scotia (referred as “New Glasgow” acquisition) from Hector Broadcasting Company Limited for total consideration of $2,325.

		Preliminary
Assets acquired:		
Property and equipment		651
Broadcasting licences		2,111
		2,762
Liabilities assumed:		
Accounts payable and accrued liabilities		418
Deferred tax liabilities		19
		437
Net assets acquired at fair value	$	2,325
Consideration given:		
Cash		2,194
Balance payable on business acquisitions		131
	$	2,325

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Newfoundland Capital Corporation

On October 26, 2018, the Corporation acquired all of the issued and outstanding shares for total consideration of $484,252, of which $453,694 was paid in cash and the remaining $30,558 through the issuance of 3,887,826 subordinate voting shares of the Corporation. NCC is a radio broadcaster who operates radio stations across Canada. As a result of the acquisition, goodwill of $200,828 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $34,184 which represented the gross contractual amount.

The results of the business acquisition of NCC for the period ended December 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2018 were $31,897 and net income was $7,337. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $128,689 and net income would have been $30,069.

	Preliminary
Assets acquired:	
Cash and cash equivalents	909
Trade and other receivables	33,224
Other current assets	1,768
Property and equipment	45,896
Broadcast licences	298,991
Goodwill	200,828
Other non-current assets	1,325
Deferred tax assets	2,045
	584,986
Liabilities assumed:	
Accounts payable and accrued liabilities	21,431
Income taxes payable	3,683
Other liabilities	10,712
Deferred tax liabilities	64,908
	100,734
Net assets acquired at fair value	$ 484,252
Consideration given:	
Cash	453,694
Share capital	30,558
	$ 484,252

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

DJ-Matic

On October 12, 2018, the Corporation purchased all of the outstanding shares of DJ-Matic, a European provider of in-store media solutions for businesses for total consideration of EUR$10,163 ($15,775). As a result of the acquisition, goodwill of $12,339 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $1,088 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding EUR$7,473 ($11,118) over the next three years ending in October 2021, based on an adjusted EBITDA ratio. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of DJ-Matic for the period ended December 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2018 were $2,932 and net income was $171. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $11,728 and net income would have been $685.

		Preliminary
Assets acquired:		
Cash and cash equivalents	$	543
Trade and other receivables		1,088
Inventories		312
Property and equipment		489
Intangible assets		9,951
Other non-current assets		100
Goodwill		12,339
		24,822
Liabilities assumed:		
Accounts payable and accrued liabilities		5,821
Deferred revenues		652
Income taxes payable		30
Deferred tax liabilities		2,544
		9,047
Net assets acquired at fair value	$	15,775
Consideration given:		
Cash		13,692
Contingent consideration		2,083
	$	15,775

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Novramedia

On August 1, 2018, the Corporation purchased all of the outstanding shares of Novramedia Inc. ("Novramedia") for total consideration of $7,737. Novramedia is a Canadian provider of digital media solution. As a result of the acquisition, goodwill of $3,431 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $754 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding $2,500 over the next 12 months if certain revenues-based targets are met. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of Novramedia for the period ended December 31, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2018 were $2,628 and net loss was $67. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $6,307 and net loss would have been $160.

		Preliminary
Assets acquired:		
Cash and cash equivalents	$	4
Trade and other receivables		754
Inventories		863
Other current assets		142
Property and equipment		50
Intangible assets		5,827
Goodwill		3,431
		11,071
Liabilities assumed:		
Accounts payable and accrued liabilities		942
Deferred revenues		842
Deferred tax liabilities		1,550
		3,334
Net assets acquired at fair value	$	7,737
Consideration given:		
Cash		5,500
Working capital receivable		(171)
Contingent consideration		2,408
	$	7,737

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

5. SEGMENT INFORMATION

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe GmbH., Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd, Classica GmbH and its wholly-owned subsidiary, Think inside the box LLC (Nature Vision TV), Yokee Music Limited, C Music Entertainment Limited, SBA Music PTY Ltd. and its wholly-owned subsidiary, Satellite Music Australia PTY Ltd., Stingray Music, S.A. de C.V., Novramedia Inc., DJ Matic BV and Newfoundland Capital Corporation Limited and its wholly-owned subsidiaries.

Operating segments

In connection with the acquisition of NCC on October 26, 2018 (note 4), the Corporation's operating segments have been modified and are now aggregated in two segments: Broadcasting and commercial music and Radio. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance. Both operating segment's financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and asses its performance based on adjusted EBITDA, and for which distinct financial information is available. Adjusted EBITDA excludes from income (loss) before income taxes the following expenses: share-based compensation, PSU and DSU expenses, CRTC tangible benefits, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and integration expenses. There are no inter-segment revenues for the periods.

The Broadcasting and commercial music segment specialize in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertisement.

Corporate and eliminations is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's operating business units.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

The following tables present financial information by segment for the three and nine-month periods ended December 31, 2018 and 2017.

Three-month period	Broadcasting and commercial music 2018	Broadcasting and commercial music 2017	Radio 2018	Radio 2017	Corporate and eliminations 2018	Corporate and eliminations 2017	**Consolidated 2018**	**Consolidated 2017**
Revenues	$ 38,875	$ 35,099	$ 31,215	$ –	$ 682	$ –	**$ 70,772**	**$ 35,099**
Operating expenses (excluding Share based compensation and PSU and DSU expenses)	25,630	22,842	16,115	–	1,808	1,106	**43,553**	**23,948**
Adjusted EBITDA	13,245	12,257	15,100	–	(1,126)	(1,106)	**27,219**	**11,151**
Share based compensation					263	346	**263**	**346**
PSU and DSU expenses					(147)	422	**(147)**	**422**
CRTC tangible benefits					25,306	–	**25,306**	**–**
Depreciation, amortization and write-off					8,870	5,286	**8,870**	**5,286**
Net finance expense					7,208	1,746	**7,208**	**1,746**
Change in fair value of investments					(840)	(110)	**(840)**	**(110)**
Acquisition, legal, restructuring and integration expenses					10,729	1,875	**10,729**	**1,875**
Income (loss) before income taxes					(50,263)	(8,459)	**(24,170)**	**1,586**
Income taxes					(6,117)	849	**(6,117)**	**849**
Net income (loss)					$ (44,146)	$ (7,610)	**$ (18,053)**	**$ 737**
Total assets[(1)]	$ 280,098	$ 243,706	$ 592,818	$ –	$ –	$ –	**$ 872,916**	**$ 243,706**
Total liabilities[(1) (2)]	$ 111,510	$ 75,472	$ 101,230	$ –	$ 365,557	$ 38,627	**$ 578,297**	**$ 114,099**
Acquisition of property and equipment	$ 2,223	$ 1,745	$ 47,676	$ –	$ –	$ –	**$ 49,899**	**$ 1,745**
Acquisition of intangible assets	$ 13,139	$ 4,771	$ –	$ –	$ –	$ –	**$ 13,139**	**$ 4,771**
Acquisition of broadcast licences	$ –	$ –	$ 301,102	$ –	$ –	$ –	**$ 301,102**	**$ –**
Acquisition of goodwill	$ 12,339	$ 12,357	$ 200,828	$ –	$ –	$ –	**$ 213,167**	**$ 12,357**

(1) Comparative figures are at March 31, 2018
(2) Total liabilities include operating liabilities, the Credit facility and the Subordinated debt

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Nine-month period	Broadcasting and commercial music 2018	Broadcasting and commercial music 2017	Radio 2018	Radio 2017	Corporate and eliminations 2018	Corporate and eliminations 2017	**Consolidated 2018**	**Consolidated 2017**
Revenues	$ 108,023	$ 95,991	$ 31,215	$ –	$ 682	$ –	**$ 139,920**	**$ 95,991**
Operating expenses (excluding Share based compensation and PSU and DSU expenses)	69,844	62,971	16,115	–	4,134	3,248	**90,093**	**66,219**
Adjusted EBITDA	38,179	33,020	15,100	–	(3,452)	(3,248)	**49,827**	**29,772**
Share based compensation					796	852	**796**	**852**
PSU and DSU expenses					738	1,444	**738**	**1,444**
CRTC tangible benefits					25,306	–	**25,306**	–
Depreciation, amortization and write-off					21,155	15,674	**21,155**	**15,674**
Net finance expense					10,039	3,552	**10,039**	**3,552**
Change in fair value of investments					(901)	1,021	**(901)**	**1,021**
Acquisition, legal, restructuring and integration expenses					13,685	9,235	**13,685**	**9,235**
Income (loss) before income taxes					(74,270)	(35,026)	**(20,991)**	**(2,006)**
Income taxes					(5,061)	372	**(5,061)**	**372**
Net income (loss)					$ (69,209)	$ (35,398)	**$ (15,930)**	**$ (2,378)**
Total assets[1]	$ 280,098	$ 243,706	$ 592,818	$ –	$ –	$ –	**$ 872,916**	**$ 243,706**
Total liabilities[1] [2]	$ 111,510	$ 75,472	$ 101,230	$ –	$ 365,557	$ 38,627	**$ 578,297**	**$ 114,099**
Acquisition of property and equipment	$ 6,726	$ 4,578	$ 47,676	$ –	$ –	$ –	**$ 54,402**	**$ 4,578**
Acquisition of intangible assets	$ 32,622	$ 22,292	$ –	$ –	$ –	$ –	**$ 32,622**	**$ 22,292**
Acquisition of broadcast licences	$ –	$ –	$ 301,102	$ –	$ –	$ –	**$ 301,102**	**$ –**
Acquisition of goodwill	$ 15,770	$ 26,386	$ 200,828	$ –	$ –	$ –	**$ 216,598**	**$ 26,386**

(1) Comparative figures are at March 31, 2018
(2) Total liabilities include operating liabilities, the Credit facility and the Subordinated debt

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not.

The following table provides geographic information on the Corporation's revenues, which are derived from the following geographic areas based on selling locations.

	3 months December 31, 2018	3 months December 31, 2017	9 months December 31, 2018	9 months December 31, 2017
Revenues				
Canada	$ 46,738	$ 16,219	$ 74,601	$ 45,590
United States	8,834	7,037	25,088	16,963
Other countries	15,200	11,843	40,231	33,438
	$ 70,772	$ 35,099	$ 139,920	$ 95,991

Approximately 78% of the Corporation's non-current assets are located in Canada.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

6. NET FINANCE EXPENSE (INCOME)

	3 months		9 months	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Interest expense and standby fees	$ 4,866	$ 216	$ 5,506	$ 1,070
Change in fair value of contingent consideration	628	1,575	2,003	2,198
Accretion expense and amortization of other liabilities	720	172	1,091	674
Foreign exchange loss (gain)	994	(217)	1,439	(390)
	$ 7,208	$ 1,746	$ 10,039	$ 3,552

7. ACQUISITION, LEGAL, RESTRUCTURING AND INTEGRATION EXPENSES

	3 months		9 months	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Acquisition	$ 9,954	$ 493	$ 11,278	$ 1,315
Legal	243	1,360	1,540	7,742
Restructuring and integration	471	–	770	–
Other	61	22	97	178
	$ 10,729	$ 1,875	$ 13,685	$ 9,235

During the three-month and the nine-month periods ended December 31, 2018, acquisition expenses related to completed business acquisitions amounting to $9,954 (2017 – $463) and $10,658 (2017 – $836), respectively, are included in the acquisition expense.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

8. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS, BROADCAST LICENCES AND GOODWILL

	Property and equipment	Intangible assets	Broadcast licences	Goodwill
Year ended March 31, 2018				
Opening net book amount as at March 31, 2017	$ 5,336	$ 49,519	$ –	$ 68,725
Additions	8,654	4,038	–	–
Additions through business acquisitions	184	17,903	–	27,577
Disposals and write-off	(97)	–	–	–
Depreciation of property and equipment	(2,965)	–	–	–
Amortization of intangible assets	–	(18,225)	–	–
Foreign exchange differences	23	1,120	–	2,165
Closing net book amount as at March 31, 2018	$ 11,135	$ 54,355	$ –	$ 98,467
Nine-month period ended December 31, 2018				
Opening net book amount as at March 31, 2018	$ 11,135	$ 54,355	$ –	$ 98,467
Additions	7,316	7,744	–	–
Additions through business acquisitions	47,086	15,778	301,102	216,598
Additions trough asset acquisition	–	9,100	–	–
Disposal of non-core assets	(11,500)	–	–	–
Disposals and write-off	(214)	–	–	–
Depreciation of property and equipment	(4,698)	–	–	–
Amortization of intangible assets	–	(16,243)	–	–
Foreign exchange differences	(242)	(90)	–	500
Closing net book amount as at December 31, 2018	$ 48,883	$ 70,644	$ 301,102	$ 315,565

On December 28, 2018, the Corporation disposed of non-core assets, acquired as part of the NCC acquisition (note 4), for total proceeds of $11,500. No gain or loss were recorded in the consolidated statement of comprehensive income.

9. CREDIT FACILITY

On August 21, 2018, effective October 26, 2018, the Corporation amended its existing $100,000 credit facility (the “Credit facility”) by increasing the authorized amount up to $450,000 and extending the maturity to October 26, 2021 to finance the acquisition of NCC. The Credit facility consists of a revolving credit facility (the “revolving facility”) for an authorized amount up to $300,000 and a non-revolving term facility (the “term facility”) in the amount of $150,000.

The Credit facility may be drawn in Canadian dollars in the form of prime rate loan or banker’s acceptances, in US dollars in the form of US base rate loans or LIBOR loans, or in Euro and British Pound in the form of LIBOR loans and in Australian dollars in the form of BBSY loans.

The Credit facility bears interest at (a) the bank’s prime rate plus an applicable margin based on a financial covenant or (b) the banker’s acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.28% and 0.60%, based on a financial covenant, on the unused portion of the Credit facility. The Credit facility is secured by guarantees from subsidiaries and first ranking lien on universality of all assets, tangible and intangibles, present and future.

The table below is a summary of the Credit facility at December 31, 2018:

	Total available	Drawn	Net available
Committed credit facilities			
Revolving facility	$ 300,000	$ 166,971	$ 133,029
Term facility	150,000	150,000	–
Total committed credit facilities	$ 450,000	$ 316,971	$ 133,029

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Starting March 31, 2019, the Corporation must make consecutive quarterly capital repayment on its term facility of 2.50% of the drawdown amount. Additionally, the Corporation must also make an annual capital repayment, equivalent to 50% of the excess cash flow, defined in the credit facility agreement, if a certain financial covenant target is not met. The remaining capital balance will be payable on maturity date.

As a result of the of the amendment, financing fees of $2,584 were incurred and recorded against Credit facility and are amortized over its duration of 3 years. The unamortized deferred financing fees amounted to $2,428 as at December 31, 2018.

10. SUBORDINATED DEBT

On July 11, 2018, effective October 26, 2018, the Corporation entered into a loan agreement in the amount of $50,000. The loan is unsecured and bears interest at an annual rate varying between 6.35% and 6.95% based on a financial covenant. The loan matures on October 26, 2023 and is entirely payable on maturity date.

Financing fees of $505 were incurred and recorded against subordinated debt and are amortized over its duration of 5 years. Unamortized deferred financing fees amounted to $487 as at December 31, 2018.

11. OTHER LIABILITIES

	December 31, 2018	March 31, 2018
Contingent consideration	$ 13,575	$ 15,596
CRTC tangible benefits	31,541	3,170
Accrued pension benefit liability	6,668	–
Balance payable on business acquisitions	9,500	9,321
Balance payable on asset acquisition	2,000	–
Other non-current liabilities	2,357	–
	65,641	28,087
Current position	(19,664)	(13,212)
	$ 45,977	$ 14,875

CRTC tangible benefits

On October 23, 2018, the CRTC approved the change in ownership and effective control of NCC, a subsidiary of the Corporation since October 26, 2018. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of $30,963 over a seven-year period in equal annual payments. The Corporation recognized an expense of $25,306, which reflects the fair value of the payment stream using a discount rate of 5.70%, which is the Corporation's effective interest rate plus a risk premium for a similar financial instrument.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

12. SHARE CAPITAL

Authorized:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2018		
Subordinate voting shares and variable subordinate voting shares		
As at March 31, 2017	35,032,081	$ 101,584
Bought deal and exercise of over-allotment option	4,900,200	45,082
Exercise of stock options	85,198	301
Purchased and held in trust through employee share purchase plan	(6,011)	(60)
Share issuance costs, net of income taxes of $604	–	(1,669)
As at March 31, 2018	40,011,468	145,238
Multiple voting shares		
As at March 31, 2017 and 2018	16,294,285	1,116
	56,305,753	$ 146,354

	Number of shares	Carrying amount
Nine-month period ended December 31, 2018		
Subordinate voting shares and variable subordinate voting shares		
As at March 31, 2018	40,011,468	$ 145,238
Conversion of subscription receipts issued through a bought deal offering	7,981,000	83,002
Conversion of subscription receipts issued through a private placement	3,846,100	39,999
Equity element of NCC purchase price	3,887,826	30,558
Private placement	2,429,544	25,000
Exercise of stock options	87,500	520
Purchased and held in trust through employee share purchase plan	(13,380)	(118)
Share issuance costs, net of income taxes of $1,780	–	(4,899)
As at December 31, 2018	58,230,058	319,300
Multiple voting shares		
As at March 31, 2018	16,294,285	1,116
Conversion of subscription receipts issued upon exercise of subscription rights	1,452,850	15,110
Issuance	194,363	2,000
Treasury shares held by the Corporation through a subsidiary	(80,000)	(713)
As at December 31, 2018	17,861,498	17,513
	76,091,556	$ 336,813

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Transactions for the period ended December 31, 2018

On November 13, 2018, the Corporation completed a private placement with Irving West and issued from treasury 2,429,544 subordinate voting shares at a price of $10.29 per subordinate voting shares for total gross proceeds of $25,000.

On November 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $4,571 was paid on December 14, 2018.

On October 26, 2018, concurrently with the closing of the acquisition of NCC (note 4), the holders of the outstanding subscription receipts, exercised their conversion rights and consequently the Corporation issued 11,827,100 subordinate voting shares and 1,452,850 multiple voting shares for total gross proceeds of $138,111 and net proceeds of $133,191. Additionally, the Corporation issued from treasury 3,887,826 subordinate voting shares at a price of $7.86 per subordinate voting shares to finance the equity portion of the purchase price, equivalent to $30,558.

On the same day, the Corporation also issued 194,363 multiple voting shares at a price of $10.29 per multiple voting shares for gross proceeds of $2,000.

During the nine-month period, 87,500 stock options were exercised and consequently, the Corporation issued 87,500 subordinate voting shares. The proceeds amounted to $312. An amount of $208 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On August 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of $4,179 was paid on September 14, 2018.

On June 15, 2018, the Corporation paid a dividend of $3,097. The dividend was declared on March 29, 2018 and therefore accrued in the consolidated statement of financial position as at March 31, 2018.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	3 months		9 months	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Trade and other receivables	$ (7,349)	$ 408	$ (4,742)	$ (3,077)
Research and development tax credits	67	519	(423)	109
Inventories	(68)	(748)	(383)	(916)
Other current assets	(512)	(771)	(2,406)	(1,990)
Other non-current assets	91	30	145	5
Accounts payable and accrued liabilities	1,799	(3,065)	(936)	(3,812)
Deferred revenues	(725)	(35)	(1,196)	(663)
Income taxes payable	3,488	528	3,241	311
Other liabilities	2,029	(52)	1,071	(681)
	$ (1,180)	$ (3,186)	$ (5,629)	$ (10,714)

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

14. FINANCIAL INSTRUMENTS:

Financial risk factors:

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time, except for additional debts raised during the year in respect of the NCC acquisition which has increased the liquidity risk of the Corporation.

Fair values

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other liabilities excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the credit facility approximates its carrying value as it bears interest at prime or banker's acceptance rates plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of the subordinated debt approximates its carrying value as its interest rate approximate current rates that could be obtained for debts with similar terms and credit risk. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be obtained with similar terms and credit risk.

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at December 31, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,105				
Trade and other receivables	70,385				
Financial assets measured at fair value					
Investments	$ 17,334	$ 17,334	$ –	$ –	$ 17,334
Financial liabilities measured at amortized cost					
Credit faciliy	$ 316,971				
Subordinated debt	50,000				
Accounts payable and accrued liabilities	66,725				
CRTC tangible benefits	31,541				
Balance payable on business acquisitions	9,500				
Balance payable on asset acquisition	2,000				
Financial liabilities measured at fair value					
Contingent consideration	$ 13,575	$ 13,575	$ –	$ –	$ 13,575

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

As at March 31, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,362				
Trade and other receivables	33,264				
Financial assets measured at fair value					
Investments	$ 15,533	$ 15,533	$ –	$ –	$ 15,533
Financial liabilities measured at amortized cost					
Revolving facility	$ 38,627				
Accounts payable and accrued liabilities	34,205				
CRTC tangible benefits	3,170				
Balance payable on business acquisitions	9,321				
Financial liabilities measured at fair value					
Contingent consideration	$ 15,596	$ 15,596	$ –	$ –	$ 15,596

Fair value measurement (Level 3):

	Investments	Contingent consideration
Nine-month period ended December 31, 2018		
Opening amount as at March 31, 2018	$ 15,533	$ 15,596
Additions through business acquisitions (note 4)	–	2,408
Additions through asset acquisition	900	–
Change in fair value	901	1,486
Settlements	–	(5,915)
Closing amount as at December 31, 2018	$ 17,334	$ 13,575

	Investments	Contingent consideration
Nine-month period December 31, 2017		
Opening amount as at March 31, 2017	$ 17,351	$ 12,956
Additions through business acquisitions	–	8,665
Change in fair value	(1,021)	1,984
Settlements	(1,218)	(4,380)
Closing amount as at December 31, 2017	$ 15,112	$ 19,225

There were no changes in the valuation techniques for the contingent consideration and investments during the nine-month periods ended December 31, 2018 and 2017.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Investments

The Corporation has two equity instruments in private entities:

AppDirect

The fair value of the equity instrument in a private entity, AppDirect, was estimated using the market approach.

For the three-month and nine-month periods ended December 31, 2018 and 2017, the fair value has been measured by using the equity price from the latest external significant equity financing transaction, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value of this instrument during the three-month period as there were no external equity financing transactions or no other indicators of significant changes that could affect the fair value of the investment.

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss.

The fair value of the investment as at December 31, 2018 was $16,434.

Nextologies

The fair value of the equity instrument in a private entity, Nextologies, was estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investment and the expected EBITDA on the investment.

For the three-month and nine-month periods ended December 31, 2018, the fair value of the investment was measured using a multiple of EBITDA.

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss.

The fair value of the investment as at December 31, 2018 was $900.

Contingent consideration

The contingent consideration related to business combinations is payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contracts. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present value the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other liabilities (note 11). The change in fair value is recognized in net finance expense (income) (note 6).

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

15. RELATED PARTIES:

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and other key employees of the Corporation.

Key management personnel compensation, and director's fees are as follows:

	3 months		9 months	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Short-term employee benefits	$ 1,103	$ 1,014	$ 3,251	$ 3,162
Share-based compensation	114	258	506	650
Restricted and performance share units	166	133	577	362
Deferred share units	(435)	97	116	648
	$ 948	$ 1,502	$ 4,450	$ 4,822

16. BASIS OF PREPARATION:

a) Statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a form in accordance with IAS 34 "Interim Financial Reporting". Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2018.

The interim consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2019.

b) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2018.

c) Functional and presentation currency:

These interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

17. NEW AND AMENDED STANDARD ADOPTED BY THE CORPORATION:

Adoption of IFRS 15: *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced *IAS 18 Revenue*, *IAS 11 Construction Contracts* and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Corporation has adopted IFRS 15 using the modified retrospective approach with the effect of initially applying this standard recognized at the date of initial application – April 1, 2018. Upon adoption of this standard, the Corporation did not have a cumulative adjustment, with the previous revenue recognition policy being applied consistently under the new standard. However, the standard has a material impact on the gross or net presentation of certain B2C applications revenues streams, such as mobile applications. Under IAS 18 – Revenue, the Corporation accounted for its applications revenues on a net basis presentation. Under IFRS 15, revenue recognition is based on the core "transfer of control" principle that is used to determine the primary obligator of the service rendered. In this context, the Corporation is considered as the principal and therefore recognize these revenues on a gross basis presentation.

The impact on revenues and operating expenses is as follows:

(in thousands of Canadian dollars)	Three-month period ended December 31, 2017			Nine-month period ended December 31, 2017		
	Reported figures	Adjustments	Restated figures	Reported figures	Adjustments	Restated figures
Revenues	$ 34,158	$ 941	$ 35,099	$ 93,915	$ 2,076	$ 95,991
Operating expenses	$ 23,775	$ 941	$ 24,716	$ 66,439	$ 2,076	$ 68,515

The Corporation derives revenue primarily from rendering of services, sales of on-demand products and media solutions projects. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control over a product or a service to a customer.

Rendering of services

Rendering of services primarily relates to continuous music and video distribution in a form of subscription fees on a monthly, quarterly or annual basis. These revenues generally meet the criteria to satisfy the performance obligation over time because the customer receives and consumes the benefits of the music supply at the same time it is broadcasted. The Corporation records deferred revenues when customers pay their subscription fees in advance.

On-demand products

On-demand products relate primarily to music and concert services through subscriptions. These revenues generally meet the criteria to satisfy the performance obligation over time because the customer receives and consumes the benefits of the on-demand product at the same time it is broadcasted. The Corporation records deferred revenues when customers pay their fees in advance.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Media solutions projects

Revenue for media solutions projects relates to long term media projects. Revenues are recognized using the percentage of completion method, which is calculated on the ratio of contract costs incurred to anticipated costs. The effect of revisions of estimated revenues and costs is recorded when the amounts are known and can be reasonably estimated. Where contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion.

Having completed the five-step analysis, the Corporation identified contracts with customers and performance obligations therein, determined transaction price and its allocation to performance obligations and confirmed the appropriateness of its revenue recognition policy being over time as the media solution services are rendered, based on costs incurred as described above.

Advertising

Revenue earned from the sale of advertising airtime is recognized in the accounts once the broadcasting of the advertisement has occurred. Revenue is recorded net of any agency commissions as these charges are paid directly to the agency by the advertiser.

Adoption of IFRS 9: *Financial Instruments*

In July 2014, the IASB released the final version of IFRS 9 - Financial Instruments (IFRS 2014). (“IFRS 9 (2014)”) presents a few differences with IFRS 9 (2009) and IFRS 9 (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss (“ECLs”) model for calculating impairment on financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. For trade and other receivables, the Corporation has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Corporation has established a provision matrix that is based on the Corporation’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The adoption of IFRS 9 did not have an impact on the Corporation’s interim consolidated financial statements.

Adoption of IFRIC 22: *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

The Corporation adopted the Interpretation prospectively effective April 1, 2018 with no material impact on the interim consolidated financial statements.

Employee future benefit plans

As part of the NCC acquisition (note 4), the Corporation now maintains a defined contribution pension plan and defined benefit pension plans.

Defined contribution pension plan

The Corporation matches employee contributions under the defined contribution pension plan. Under this plan, contributions are funded to a separate entity and the Corporation has no legal or constructive obligation to pay further amounts. The Corporation’s portion is recorded as compensation expense as contributions are made, which coincides with the periods during which services are rendered by employees.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Defined benefit pension plans

The cost of providing benefits under the defined benefit pension plans is determined on an annual basis by independent actuaries separately for each plan using the projected unit credit costing method. Actuarial gains and losses for both defined benefit plans are recognized immediately in full in the period in which they occur in other comprehensive income (loss). Actuarial gains and losses are not reclassified to the consolidated statements of comprehensive income in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of: (i) the date of the plan amendment or curtailment, and (ii) the date that the Corporation recognizes restructuring-related costs. The discount rate is applied to the net defined benefit asset or liability to determine net interest expense or income. The Corporation recognizes the following changes in the net defined benefit obligation under operating expenses in the consolidated statements of income: (i) service costs comprising current service costs, past service costs, gains and losses on curtailments and settlements, and (ii) net interest expense or income. The accrued pension benefit liability is presented in Other liabilities (note 11).

The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Reportable segments

In connection with the acquisition of NCC on October 26, 2018 (note 4), the Corporation's operating segments have been modified and are now aggregated in two segments: Broadcasting and commercial music and Radio.

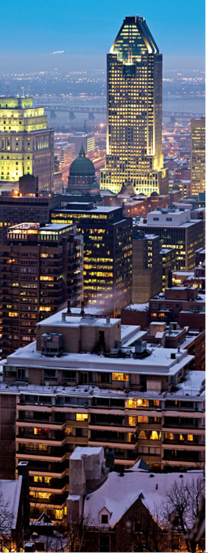
The Broadcasting and commercial music segment specialize in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertisement.

18. NEW AND AMENDED STANDARDS NOT YET ADOPTED BY THE CORPORATION:

IFRS 16: *Leases*

On January 13, 2016, the IASB issued IFRS 16 - Leases. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 - Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.



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