



**Q1**

FIRST QUARTER  
**FINANCIAL  
REPORT** **2018  
2019**

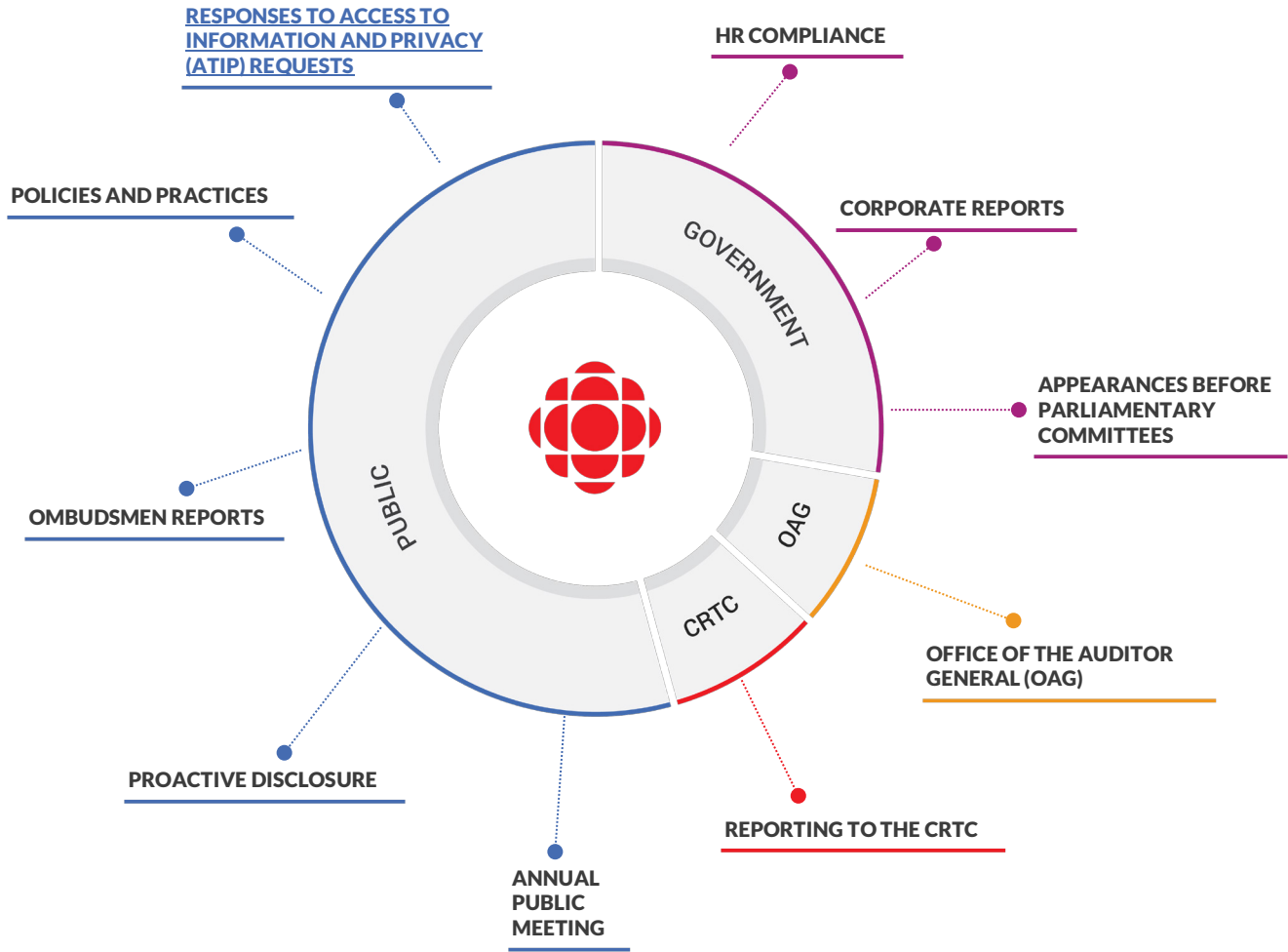






# CBC/RADIO-CANADA'S COMMITMENT TO TRANSPARENCY AND ACCOUNTABILITY

As the national public broadcaster, we take very seriously our obligation to be transparent and accountable to Canadians. To meet our responsibilities, we provide access on our [corporate website](#) to information about our activities and the way we manage our public resources.



# MANAGEMENT DISCUSSION AND ANALYSIS

In addition to filing an annual report, we are required – like most Canadian federal Crown corporations – to file quarterly financial reports for the first three quarters of each fiscal year. The following Management Discussion and Analysis (MD&A) aims to provide readers with an overview of our activities and performance for the first quarter of 2018-2019, and should be read in conjunction with our most recent Annual Report. In keeping with our commitment to transparency and effective oversight of public funds, we are pleased to present this quarterly report for the first quarter ended June 30, 2018. We have organized our MD&A in the following key sections:

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In this MD&A of financial condition and results of operations, *we, us, our* and *the Corporation* mean CBC/Radio-Canada. Refer to CBC/Radio-Canada’s Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2018 when reading this MD&A.

All amounts in this MD&A are in thousands of Canadian dollars, except where noted.

To help you understand this MD&A, note the following:

**Quarterly reporting** - The Condensed Interim Consolidated Financial Statements have not been reviewed by our auditor.

**Seasonality** - The majority of our self-generated revenue comes from advertising, which follows seasonal patterns based on the programming schedule. It also varies according to market and general economic conditions, as well as schedule performance. Subscriber-based revenue is less volatile quarter-to-quarter. Operating expenses also tend to follow a seasonal pattern because they are also influenced by the programming schedule. Revenue and expenses are higher in quarters where we cover significant events such as the Olympics. Government appropriations are recognized in income based on the annual budget, which reflects seasonal impacts on expenditures and self-generated revenue.




**Forward-looking statements** - This report contains forward-looking statements about strategy, objectives, and expected financial and operational results. Forward-looking statements are typically identified by words such as “may,” “should,” “could,” “would” and “will,” as well as expressions such as “believe,” “expect,” “forecast,” “anticipate,” “intend,” “plan,” “estimate” and other similar expressions. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada’s government funding remains consistent with amounts announced in the federal budget, and the broadcasting regulatory environment will not change significantly. Key risks and uncertainties are described in the Risk Update section of this report. However, some risks and uncertainties are by definition difficult to predict and are beyond our control. They include, but are not limited to, economic, financial, advertising market, technical and regulatory conditions. These and other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

**Performance indicators** - We rely on data from both internal tools and third parties to measure our performance metrics. While these data are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in collecting this information, particularly as the media industry undergoes a digital transformation. For example, Canadians now consume media content on multiple devices from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. As a result, changes in the way data are collected could result in certain information provided in future periods not being comparable with information disclosed in prior periods. Since some of these data are used to measure our strategic and operational indicators, we may be required to make adjustments to targets and historical results to enhance comparability of the data and follow industry best practices.

**Non-IFRS measure** - This report includes the measure Results on a Current Operating Basis, which does not have any standardized meaning according to International Financial Reporting Standards (IFRS). It is therefore unlikely to be comparable to similar measures presented by other companies. Refer to the section *Discussion of Results* for further details.



## FINANCIAL HIGHLIGHTS

 <b>SELF-GENERATED REVENUE</b>	2018-2019: \$ 113 M 2017-2018: \$ 113 M <b>NO CHANGE</b>	<p>Revenue from ongoing activities was stable this quarter. In the current quarter our conventional advertising sales on ICI RADIO-CANADA TÉLÉ remain strong; furthermore, we are benefiting from higher rental revenue from third parties.</p> <p>These strengths in the early part of the year were offset by lower CBC advertising revenue and the continued decline in subscribers on specialty television across the business.</p>
 <b>GOVERNMENT FUNDING</b>	2018-2019: \$ 281 M 2017-2018: \$ 239 M <b>TOTAL INCREASE</b> <b>\$42 M (17.9%)</b>	<p>Government funding recognized during the first quarter increased by 17.9% as last year's appropriations recognized into income were lower because a portion of the proceeds from disposing of our shares in Sirius XM Canada Holdings Inc. (SiriusXM) was reinvested into operations. By year-end, base operating funding recognized will be consistent with last year.</p>
 <b>OUR EXPENSES</b>	2018-2019: \$ 401 M 2017-2018: \$ 395 M <b>TOTAL INCREASE</b> <b>\$6 M (1.5%)</b>	<p>Ongoing expenses increased by 1.5%, mainly as Radio-Canada enhanced its programming schedule on TV and online this quarter and we continue to invest in local services and digital initiatives.</p>

	For the three months ended June 30		
	2018	2017	% change
Revenue	113,383	113,208	0.2
Government funding	281,431	238,767	17.9
Expenses	401,177	395,255	1.5
<b>Results before other gains and losses</b>	<b>(6,363)</b>	<b>(43,280)</b>	<b>85.3</b>
<b>Net results under IFRS for the period</b>	<b>(7,733)</b>	<b>10,378</b>	<b>N/M</b>
<b>Results on a Current Operating Basis<sup>1</sup></b>	<b>7,353</b>	<b>31,419</b>	<b>(76.6)</b>

N/M = not meaningful

<sup>1</sup> Results on a Current Operating Basis is a non-IFRS measure. This excludes items that do not generate or require funds from operations. A reconciliation of net results to Results on a Current Operating Basis is provided in the *Discussion of Results* section of this report.

**Net results under IFRS** were a loss of \$7.7 million this quarter, compared to a gain of \$10.4 million last year. Last year our first quarter results benefited from a \$54.5 million gain from the sale of our remaining interest in SiriusXM. This quarter, we have recognized more government funding into income of \$42.7 million, partly offset by increased programming expenses.

**Results on a Current Operating Basis** were a gain of \$7.4 million compared to a gain of \$31.4 million in the same period last year. Our results on a Current Operating Basis are higher than the IFRS results in both years because the IFRS results include other non-cash expenses not expected to require operating funds in the short term.



## BUSINESS HIGHLIGHTS

On July 3, we welcomed the appointment of Catherine Tait as our new President and CEO, setting the tone for an exciting new year. CBC and Radio-Canada celebrated diversity and inclusion initiatives, as well as launched new and returning, television, radio and digital offerings to get the spring and summer months off to a great start.

### CONTENT AND SERVICES

During the quarter we celebrated National Indigenous Peoples Day with a unique and inspiring multiplatform offering to reach all audiences. CBC live-streamed a panel, on Facebook and through a 360° video on [YouTube](#), that discussed engagement with Indigenous communities. Radio-Canada also immersed digital audiences in the Attikamek community's ritual "feu sacré" on the banks of the Saint-Maurice River in Trois-Rivières using a virtual reality feed. As part of the celebrations, a digital-only edition of *ICI Espaces autochtones* was broadcast live from the Jardin des Premières-Nations in Montréal, with participants exploring recognition and reconciliation.

Radio-Canada offered additional exclusive content, including the documentary *Du teweikan à l'électro* presented on ICI RADIO-CANADA TÉLÉ and ICI ARTV and special segments integrated into regular ICI PREMIÈRE radio shows. The newly designed *Autochtone* stream available on ICI MUSIQUE's website and mobile app and a bundle of documentaries highlighting Indigenous realities on ICI TOU.TV topped off available content. Finally, this year's 25th anniversary Indspire Awards, broadcast on CBC Television, celebrated exceptional First Nations, Inuit and Métis individuals, highlighting the significant contributions of Indigenous people in Canada.

For Pride week, outCBC, one of our seven Employee Resource Groups, and CBC Film co-sponsored the Spotlight on Canada series at this year's *Inside Out LGBT Film Festival*. CBC staff and talent were also out in attendance at Pride events across the country from Toronto to Halifax, Saskatoon and Prince George.

Coverage of the Ontario election was also featured across our platforms this quarter. CBC Television held a live election special, hosted by Dwight Drummond and Rosemary Barton, and included for the first time an all-women political panel walking us through the results. In addition, CBC had a strong digital offering to augment television coverage. Radio-Canada provided audiences with in-depth Francophone coverage of the campaign, election night and new government transition, mostly through the web portal *Élections Ontario*.

During the spring and summer seasons, we capitalized on the many musical festivals taking place by meeting audiences on site and creating several related music streams for listeners. CBC's much-anticipated annual CBC Music Festival at Echo Beach was a great success again this year. With five stages of Canadian musical acts across genres, gender and diversity, including Toronto rockers July Talk, A Tribe Called Red and CBC Searchlight 2018 winner Aquakultre, the festival sold out. CBC Music also launched four new music streams: Salsa, Afrobeat, African Icons and Reclaimed – Indigenous Music, and Radio-Canada brought another cohort of young talent into the public eye during the 11th edition of the Révélations ICI MUSIQUE. This year, the multiplatform event included a performance by the sensational Hubert Lenoir streamed live on Facebook, as well as the returning show *100% Révélation* presented on ICI RADIO-CANADA TÉLÉ.

Original digital programming on CBC included the second season of *My 90 Year Old Roommate*, *The Artists*, *Home No More*, *Eviction Notice* and *Vika*. With more Canadians than ever getting their content from digital streaming services, CBC's OTT service offered exclusive access to well-known series like the acclaimed comedy *Portlandia*, *Moone Boy* and *Ronny Chieng: International Student*. Radio-Canada continued to deepen its digital audio offering with the compelling podcast *Radical* hosted by Marie-Ève Tremblay. Building on the successful social media video initiative *Corde Sensible*, it shares stories of individuals who turned their backs on radical ideology.

The quarter was also particularly eventful for ICI TOU.TV and its EXTRA component, with the official launch of a new platform featuring a revamped design and additional engaging functionalities. Simultaneously, an innovative partnership with important video content producers in the French media landscape – Bell Media, Groupe V, TV5 Québec and the National Film Board – was launched. This will enrich the OTT platform, including exclusive premium content for all types of audiences. This initiative helps to position ICI TOU.TV as a distinctive space to stream compelling French video content. The second season of *Cheval-Serpent* launched this quarter, as well as *Demain des hommes*, which is set in the small town, junior hockey universe. Finally, to reach more Canadians and renew its audiences, ICI TOU.TV also released *Marika*, the first-ever original youth scripted series on the platform.

CBC Television launched the spring-summer season with new and special programming, including *Crawford* and *Back In Time For Dinner*, and returning programs such as *When Calls the Heart*, the *CBC Winnipeg Comedy Festival* and *Taken*. Radio-Canada bet on audiences' long-term favourites with the return of another exciting cooking competition in *Les chefs!* and the launch of the 7th season of *Dans l'oeil du dragon*, which slightly modified its formula to keep audiences captivated all season long, bringing a new successful business personality each week to join the regular team of investors. Finally, ICI ARTV's new Acadian sitcom *À la valdrague* launched with two episodes broadcast per day over four consecutive days for binge-watching enthusiasts.



Back In Time For Dinner

## PEOPLE AND CULTURE

Last year, we launched our four corporate values: Creativity, Inclusiveness, Integrity and Relevance. This June, we held our first Corporation-wide Inclusion Month. Events were held across the organization to open up dialogue: what Inclusiveness means at CBC/Radio-Canada, what we're doing to foster important conversations, and what still needs to be done to ensure we continue to develop a truly inclusive workplace that reflects a variety of perspectives and a diversity of experiences and backgrounds.

With that said, we closed the quarter by exceeding our annual target to reach 27.2% diverse new hires (see the *Strategy 2020* section for more information). We also launched an [updated Inclusion and Diversity section on our corporate website](#); this section explains how we've deepened our thinking around those areas, from focusing mainly on numbers and compliance to having an outlook that encompasses much more than a set of limited criteria. We're also breaking new ground as the first Canadian media company to publicly share data on the gender and sexual diversity (LGBTQ+) of our workforce. Canadians can learn more about a number of additional diversity and inclusion activities and initiatives on the corporate website.

## TECHNOLOGY AND INFRASTRUCTURE

This quarter featured the culmination of our first capital project to centralize over 20 different content data collections as a part of our move to digital. The new enterprise media management system will enable deeper and more compelling storytelling by improving access by employees to our content data collections.

As part of our ongoing commitment to managing our real estate footprint and better using our spaces, the Ottawa project will see employees in the city consolidated in our downtown office, while providing staff with modern, creative and collaborative workspaces. This quarter, the Ottawa project moved into the next phase, with renovations getting underway. In Montreal, [construction of the new building](#) continues, with staff preparing to move in 2020. Montreal's new Maison de Radio-Canada broadcast centre will be a creative hub for the city's digital and artistic communities. The new facility will be in line with our priorities as Canada's National Public Broadcaster: modern, multiplatform, increasingly digital and closer than ever to our audiences.

## OTHER BUSINESS MATTERS

The appointment of Catherine Tait as the incoming President and CEO of CBC/Radio-Canada was met with lots of excitement. As the first woman President and CEO of the Corporation, and with a background in content and production, Ms. Tait's experience promises a new take on the role. She officially started her new role on July 3, 2018 and maximized her first few weeks on the job listening to employees and stakeholders. After a tenureship of more than 10 years as our President and CEO, Hubert T. Lacroix finished his role with us on June 29, 2018.

Alex Johnston, Vice-President of Strategy and Public Affairs, left the Corporation at the beginning of June. Also this quarter, Steven Guiton, Executive Vice-President of Media Technology and Infrastructure Services, announced his retirement, effective the end of December 2018.



## PERFORMANCE UPDATE

The tools that measure and assess CBC/Radio-Canada's performance are an important part of *Strategy 2020*. We do this in two ways: by measuring the perceptions of Canadians and by tracking our success against specific measurable targets. Our performance measurement framework covers four areas: Mandate and Vision (perception survey indicators), *Strategy 2020* (strategic indicators), Reinvestment impact indicators (reported annually), and Media Lines (operational indicators).

### OUR PERFORMANCE - MANDATE AND VISION

As Canada's national public broadcaster, the establishment of metrics to track and assess the perception of our performance is essential to demonstrate our accountability to Canadians. The Mandate and Vision perception survey allows us to monitor how well Canadians believe our services fulfill both the Corporation's mandate under the 1991 *Broadcasting Act* and the vision of *Strategy 2020*. The data are collected via surveys conducted among representative samples of Anglophone and Francophone Canadians.

The 2018-2019 survey results will be available in January, at which point they will be published in the third quarterly financial report (Q3). For those interested in looking at the last survey results, they can be found on our online [interactive dashboard](#).



*Marika*: ICI TOU.TV's first original scripted series for younger audiences.

## OUR PERFORMANCE - STRATEGY 2020

The *Strategy 2020* Performance Report tracks the corporate-wide objectives of our current strategic plan. We established long-term targets in 2014 and 2015 that we aim to meet by 2020. Each year, we track our progress against annual targets. Eight key indicators measure progress in four key areas: audience/market, infrastructure, people and financial sustainability.

Our goal is to increase our value and deepen our relationship with all Canadians. With this in mind, four of the eight indicators measure our connection to our audience/market. When we originally launched our strategy, by 2020 we wanted:

- Three out of four (75%) Canadians to consider one or more of our services to be very important to them (indicator 1);
- Canadians to continue to strongly agree that CBC/Radio-Canada's information programming reflects a diversity of opinions and covers issues in a fair and balanced way (indicator 2); and
- To increase our digital reach so that 18 million Canadians will use our digital platforms each month and to grow the number of digital interactions they have with our services (indicators 3 and 4).

To support our audience goals, we are transforming our infrastructure, including reducing our real estate footprint by 50% (indicator 5). We are also transforming our workplace, focusing on employee engagement (indicator 6) and better reflecting Canadian diversity (indicator 7). We are becoming more financially sustainable through cost reductions (indicator 8).

The *Strategy 2020* indicators are presented below. Our first quarterly report contains a partial list of Key Performance Indicators (KPIs), as several – indicators 1, 2 and 6 – are not measured until the fall and will consequently only be available in our third quarterly report.

INDICATORS	RESULTS 2017-2018	TARGETS 2018-2019	RESULTS APRIL 1 TO JUNE 30, 2018	2020 TARGETS
<b>Audience/Market</b>				
1. Importance to Canadians (% very important) <sup>1</sup>	57.1%	58.8%	N/A	75.0%
2. Information programming has diverse opinions and is objective (% who strongly agree) <sup>1</sup>	52.7%	55.0%	N/A	57.0%
3. Digital reach of CBC/Radio-Canada (millions) <sup>2</sup>	18.5	18.0	20.3	18.0
4. Monthly digital interactions with CBC/Radio-Canada (millions) <sup>3</sup>	159.1	145.2	145.0	95.0
<b>Infrastructure</b>				
5. Reduce real estate footprint (millions of rentable square feet) <sup>4</sup>	3.8	3.7	3.8	2.0
<b>People</b>				
6. Employee engagement (% proud to be associated) <sup>5</sup>	85.0%	87.0%	N/A	90.0%
7. Employee diversity (% of new employees) <sup>6</sup>	27.8%	25.4%	27.2%	23.2%
<b>Financial</b>				
8. Achieve cost reduction target (\$ million)	\$93.1	\$104.0	\$104.0 <sup>7</sup>	\$106.3 <sup>8</sup>

N/A = not applicable or not available

*Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.*

<sup>1</sup> Source: Mission Metrics Survey, 2017-2018, TNS Canada. This is the percentage of Canadians who give us top marks (i.e. 8, 9 or 10 on a 10-point scale). Information programming (Indicator 2) is the average of two questions: CBC/Radio-Canada's information programming "reflects a diversity of opinions on a wide range of issues" and "covers major issues in a fair and balanced way."

<sup>2</sup> Source: Unduplicated reach of CBC and Radio-Canada digital platforms. comScore, multiplatform measurement, monthly average unique visitors.

<sup>3</sup> Source: comScore, multiplatform measurement, monthly average visits.

<sup>4</sup> Our rentable square feet (RSF) results exclude foreign offices (e.g. bureaus), transmission sites, parking lots and leases for the sole purpose of storage (i.e. no broadcasting activity).

<sup>5</sup> Source: Gallup Consulting, Dialogue 2017 Survey. This is the percentage of employees who are proud to be associated with CBC/Radio-Canada. This is measured as the percentage of employees who responded four to five on a scale of one to five in a representative survey of employees.

<sup>6</sup> This metric is made up of three groups: Indigenous and Inuit peoples, persons with disabilities, and visible minorities. It is calculated as a percentage of new external hires for positions of 13 weeks or more.

<sup>7</sup> Amount represents cumulative budget reduction on an annual basis.

<sup>8</sup> Target updated to reflect the continuation of our broadcasting of *Hockey Night in Canada* on Saturday night and playoff hockey beyond 2020.

**Audience/Market**

**Indicator 3:** In the first quarter of 2018-2019, our digital reach is trending above its annual target. With 20.3 million unique visitors, we are pleased to say that we now reach more Canadians through our digital platforms than ever before. The first quarter increase was higher than anticipated due to coverage of significant news events, such as the Humboldt bus crash, the Toronto van attack, the G7 Summit and the Ontario provincial elections. Since it is currently too early to forecast our annual result, we will continue to monitor this metric closely throughout the year.

**Indicator 4:** With 145.0 million, our monthly digital interactions indicator is currently trending close to its annual target.

**Infrastructure**

**Indicator 5:** CBC/Radio-Canada’s real estate footprint was 3.8 million rentable square feet (rsf) in the first quarter of 2018-2019. Leases were signed at the Canadian Broadcast Centre in Toronto with two new tenants – Uken Studios Inc. and Dialog Ontario Inc. – allowing a footprint reduction of approximately 50,000 rsf, which represents 50% of our annual objective. We are expecting to meet our annual target (3.7 million) with the sale of our Calgary building next quarter. In addition, a sizeable reduction in our real estate footprint is expected following the move from the current Maison de Radio-Canada into a new leased facility on a portion of the same site, scheduled for 2020.

**People**

**Indicator 7:** With a result of 27.2% in the first quarter of 2018-2019, diversity of new employees was above the annual target and very close to last year’s record high result. Our vision is to be the media leader in drawing on the wealth of Canadian perspectives to shape our content, workplace and workforce. Inspired by our successes in becoming a gender parity leader in the Canadian media industry, we will continue to implement our Diversity and Inclusion Plan to attract a broader pool of external candidates and improve the retention and advancement of diverse employees.

**Financial**

**Indicator 8:** At the end of the first quarter, cost reductions are tracking on target to reduce costs as budgeted for 2018-2019.



CBC Saskatoon employees and their families participate in the 2018 Saskatoon Pride Parade on June 23, 2018. Photo: CBC

## OUR PERFORMANCE - MEDIA LINES

We use Media Lines reporting to measure performance against our operational targets, which mostly focus on audience reach and share through our various platforms and self-generated revenue across all our services.

Our first quarterly report contains a partial list of Key Performance Indicators (KPIs) because many of the principal targets are measured starting in September each year. KPIs are not available for CBC Television, CBC Radio, ICI RADIO-CANADA TÉLÉ, ICI PREMIÈRE and ICI MUSIQUE until the fall and are consequently not presented until our third quarterly report.

While the Corporation continues to monitor the performance of its specialty television channels, we have not reported our subscribers' results for competitive reasons.

### RADIO-CANADA 2018-2019 RESULTS

INDICATORS	MEASUREMENTS	RESULTS 2017-2018	RESULTS APRIL 1 TO JUNE 30, 2017	RESULTS APRIL 1 TO JUNE 30, 2018	TARGET 2018-2019
<b>Television</b>					
ICI RDI, ICI ARTV, ICI EXPLORA	All-day audience share <sup>9</sup>	4.7%	4.9%	4.7%	4.4%
<b>Digital</b>					
Radio-Canada Digital Offering	Monthly average unique visitors <sup>10</sup>	4.1 M	3.9 M	4.6 M	4.1 M
<b>Revenue<sup>11</sup></b>					
Conventional, specialty, online		\$218 M	\$50 M	\$52 M	\$215 M

Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

**Television** - Specialty services' audience share is trending above target. ICI RDI benefited from international events such as the Royal Wedding, the G7 Summit held in the Charlevoix region, and the meeting between the President of the United States and North Korea's leader. During the quarter, ICI ARTV's strong performance was driven by a well-balanced mix of nostalgia series, such as *Le temps d'une paix* and *Cormoran*, and successful variety shows *Les Morissette et moi* and *Les 5 prochains*.

**Digital** - Although it is too early to forecast trends and year-end results, this quarter brought a high number of unique visitors to our platforms. Two thirds of Radio-Canada's unique visitors consume our digital content in mobility mode. Several factors supported this quarter's performance: national and international major news events, and the deepening of our audio offering on ICI PREMIÈRE. This quarter also saw a new video à la carte offering on ICI TOU.TV with important media partners joining Radio-Canada to create a new online destination for Francophone content.

**Revenue** - Self-generated revenue ended the quarter above last year's results and is trending on target. This performance was mostly driven by strong TV advertising revenue, mostly on ICI RADIO-CANADA TÉLÉ, which benefited from a strong programming schedule from earlier summer programming and the delayed airing of some season finales to this fiscal year due to the broadcast of the PyeongChang 2018 Olympic Winter Games in early February.



Cheval-Serpent - Season 2

<sup>9</sup> Source: Numeris, Portable People Meter (PPM), Francophones in Quebec, aged two years and older, April to June.

<sup>10</sup> Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to June. Radio-Canada digital offering: ICI.Radio-Canada.ca, ICI.Tou.tv, ICI.Musique.ca, RCInet.ca, ICI.ARTV.ca, ICI.EXPLORAtv.ca and Rad.

<sup>11</sup> Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution). Our results for 2017-2018 excluded PyeongChang 2018 Olympic Winter Games revenue.

## CBC 2018-2019 RESULTS

INDICATORS	MEASUREMENTS	RESULTS 2017-2018	RESULTS APRIL 1 TO JUNE 30, 2017	RESULTS APRIL 1 TO JUNE 30, 2018	TARGET 2018-2019
<b>Television</b>					
CBC News Network	All-day audience share <sup>12</sup>	1.4%	1.5%	1.4%	1.2%
<b>Digital</b>					
CBC Digital Offering	Monthly average unique visitors <sup>13</sup>	16.1 M	15.6 M	17.6 M	15.6 M
<b>Revenue<sup>14</sup></b>					
Conventional, specialty, online		\$295 M	\$49 M	\$45 M	\$213 M

Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g. smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

**Television** - CBC News Network experienced a higher share this quarter than expected due to the coverage of significant new events such as the Humboldt bus crash, the Toronto van attack and the Royal Wedding.

**Digital** - In the first quarter of 2018-2019, our digital reach is trending above its annual target. The first quarter increase was higher than anticipated and we expect it was due to coverage of the significant news events mentioned above.

**Revenue** - Revenue is tracking lower than our annual target after the first quarter as a result of softening advertising sales and a decline in subscription revenues.



Mom/Cynthia (Jill Hennessy) in Ep. 12 of *Crawford*. Photo: Ian Watson

<sup>12</sup> Source: Numeris, Portable People Meter (PPM), persons aged two years and older.

<sup>13</sup> Source: comScore Media Metrix, unique visitors, desktops (aged two years and older) and mobile devices (aged 18 years and older), April to June.

<sup>14</sup> Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution). In 2017-2018, the revenue from the PyeongChang 2018 Olympic Winter Games was included, while *Hockey Night in Canada* on Saturday night and playoff hockey will continue to be excluded.



Moe Clark, artist, performing on ICI *Espaces autochtones* for National Aboriginal Day in Montreal.

## MEASURING OUR CANADIAN CONTENT

Regulatory requirements for Canadian content on television are specified by the Canadian Radio-television and Telecommunications Commission (CRTC), which sets conditions of license for ICI RADIO-CANADA TÉLÉ and CBC Television. As shown in the table below, in the current broadcast year-to-date and in the previous full broadcast year, ICI RADIO-CANADA TÉLÉ and CBC Television exceeded the CRTC's Canadian content conditions of license, both over the whole day and in prime time.

		YEARLY CONDITIONS OF LICENSE	RESULTS SEPTEMBER 1, 2016 TO AUGUST 31, 2017	RESULTS SEPTEMBER 1, 2017 TO JUNE 30, 2018
<b>ICI RADIO-CANADA TÉLÉ</b>				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	82%	82%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	96%	94%
<b>CBC Television</b>				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	81%	82%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	87%	86%



## DISCUSSION OF RESULTS

### RESULTS UNDER IFRS AND ON A CURRENT OPERATING BASIS

The following analysis provides a more detailed discussion of our financial performance.

	For the three months ended June 30		
	2018	2017	% change
Revenue	113,383	113,208	0.2
Government funding	281,431	238,767	17.9
Expenses	401,177	395,255	1.5
<b>Results before other gains and losses</b>	<b>(6,363)</b>	<b>(43,280)</b>	<b>85.3</b>
Other gains and losses	(1,370)	53,658	N/M
<b>Net results under IFRS for the period</b>	<b>(7,733)</b>	<b>10,378</b>	<b>N/M</b>
<b>Items not generating or requiring funds from operations</b>			
Pension and other employee future benefits	15,482	13,904	11.3
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	3,750	5,779	(35.1)
Other provisions for non-cash items	(4,146)	1,358	N/M
<b>Results on a Current Operating Basis<sup>1</sup></b>	<b>7,353</b>	<b>31,419</b>	<b>(76.6)</b>

N/M = not meaningful

<sup>1</sup> Results on a Current Operating Basis is a non-IFRS measure. An explanation of Results on a Current Operating Basis is provided below.

### Net results under IFRS

**Net results under IFRS for the first quarter** was a loss of \$7.7 million, relative to a gain of \$10.4 million in the same quarter last year. Changes in net results when compared to 2017-2018 were driven by:

- Last year's results included a gain of \$54.5 million from the sale of our remaining interest in Sirius XM Canada Holdings Inc. (SiriusXM) reflected in other gains and losses. This compares to a loss of \$1.4 million in the first quarter of 2018-2019 from retiring some of our assets in the regular course of operations;
- Higher operating expenses by \$5.9 million (↑1.5%) as we enhanced our TV and digital programming schedule, mostly on Radio-Canada platforms, and continue to invest in our digital capabilities.
- In the current year the impacts of the above items was partly offset by higher government funding recognized in income of \$42.7 million (↑17.9%). Government funding recognized this quarter was consistent with our expected needs. In the first quarter last year, we recognized less parliamentary appropriations into income due to the reinvestment in operations of a portion of our proceeds from disposing of our shares in SiriusXM.

Included in Net results under IFRS for the period are items that do not currently generate or require funds from operations, as explained below.

### Results on a Current Operating Basis

CBC/Radio-Canada defines Results on a Current Operating Basis as Net results under IFRS less the adjustments for non-cash expenses that will not require operating funds within one year and non-cash revenues that will not generate operating funds within one year. This measure is similar to that used by management to help monitor performance and balance the Corporation's budget with parliamentary appropriations. We believe this measure provides useful complementary information to readers, while recognizing that it does not have a standard meaning under IFRS and will not likely be comparable to measures presented by other companies.

Adjustments include the elimination of non-cash pension and other employee future benefit costs, which represent the excess of the IFRS expense over the actual cash contribution for the period. Adjustments are also made for other non-cash items such as the depreciation, amortization and decommissioning of capital assets; the amortization of deferred capital funding; and non-budgetary annual leave. Other less significant items not funded or generating funds in the current period, primarily employee-benefit-related, are adjusted for in the reconciliation to Results on a Current Operating Basis.

**The gain on a Current Operating Basis** of \$7.4 million this quarter was a decrease of \$24.1 million (↓76.6%) relative to the same period last year. This decrease is consistent with lower IFRS results as summarized above.

## REVENUE

For the three months ended June 30

	2018	2017	% change
<b>Advertising</b>			
English Services	23,794	26,128	(8.9)
French Services	32,787	29,776	10.1
	<b>56,581</b>	<b>55,904</b>	<b>1.2</b>
<b>Subscriber fees</b>			
English Services	16,501	17,309	(4.7)
French Services	14,246	14,804	(3.8)
	<b>30,747</b>	<b>32,113</b>	<b>(4.3)</b>
<b>Financing, investment and other income</b>			
English Services	10,106	10,563	(4.3)
French Services	4,789	5,124	(6.5)
Corporate Services	11,160	9,504	17.4
	<b>26,055</b>	<b>25,191</b>	<b>3.4</b>
<b>TOTAL</b>	<b>113,383</b>	<b>113,208</b>	<b>0.2</b>

Our self-generated revenue increased by \$0.2 million (↑0.2%) in the first quarter of 2018-2019 compared to the same period last year.

### ADVERTISING (↑1.2%)

Our advertising revenue depends on the different events of significant importance we cover throughout the quarter, the overall health of the advertising market and the success of our programming schedule.

The \$0.7 million (↑1.2%) increase in advertising revenue this quarter resulted from a strong performance in conventional advertising in the French market (↑\$3.0 million or 11.0%) despite the ongoing softness of the overall Canadian TV advertising market as discussed below. This performance benefited somewhat from the earlier summer programming and the delayed airing of some of ICI Radio-Canada Télé programming to this quarter due to the broadcast of the PyeongChang 2018 Olympic Winter Games in early February. This increase was partly offset by:

- Lower conventional revenue in English markets. The Canadian TV advertising market remains affected by audience declines in the 25-54 demographic, with spending down 5.1% April to May.<sup>15</sup> This softening of the TV advertising market adversely impacted CBC conventional revenue for the first three months of the year (↓\$1.7 million or 7.9%).
- Lower digital advertising sales by \$0.7 million (↓9.4%) as our website traffic declined due to industry-wide impacts of reduced referral traffic from third-party social media sites.

### SUBSCRIBER FEES (↓4.3%)

Our subscriber revenue is driven by the rates for our specialty channels and the size of our subscriber base, which has declined continuously when compared to prior periods due to the adverse effects of the cord-cutting and cord-shaving trends affecting the cable industry.

Our subscriber revenue decreased by \$1.4 million (↓4.3%) relative to the same period last year. The main changes by specialty channel are highlighted below:

- CBC News Network and ICI RDI's revenue decreases resulted from the continued erosion of our subscriber base.
- ICI TOU.TV EXTRA's revenue increased this quarter due to the continuous growth of its subscriber base.

### FINANCING, INVESTMENT AND OTHER INCOME (↑3.4%)

Financing, investment and other income depends on the different events and transactions throughout the quarter as it includes production revenue from host broadcasting services and revenue from the sale of content. It also reflects revenue from our rentals, sponsorships and retransmission rights. More information about our revenue streams is provided in note 10 Revenue of our Consolidated Financial Statements.

The \$0.9 million (↑3.4%) increase in financing, investment and other income this quarter resulted mostly from the combined effect of higher rental revenue from leasing out space in the Toronto Broadcast Centre to third parties and higher investment income from investing the proceeds of sale from SiriusXM shares and the Maison de Radio-Canada premises.

<sup>15</sup> Source: ThinkTV, Sales Survey Report, July 3, 2018.

## OPERATING EXPENSES

	For the three months ended June 30		
	2018	2017	% change
Television, radio and digital services costs			
English Services	205,075	204,030	0.5
French Services	173,211	166,191	4.2
	<b>378,286</b>	<b>370,221</b>	<b>2.2</b>
Other operating expenses			
Transmission, distribution and collection	15,031	16,489	(8.8)
Corporate management	2,530	2,418	4.6
Payments to private stations	-	100	N/M
Finance costs	5,330	6,027	(11.6)
	<b>22,891</b>	<b>25,034</b>	<b>(8.6)</b>
<b>TOTAL</b>	<b>401,177</b>	<b>395,255</b>	<b>1.5</b>

N/M = not meaningful

Our total operating expenses increased by \$5.9 million (↑1.5%) in the first quarter of 2018-2019. The main variances are noted below.

### TELEVISION, RADIO AND DIGITAL SERVICES COSTS (↑2.2%)

Television, radio and digital services costs depend on the different events of importance we cover throughout the quarter and on our ongoing programming schedule. They represent the costs we incur in relation to the production of our programs, including the cost of our technical labour and facilities.

The \$8.1 million (↑2.2%) increase in television, radio and digital services costs reflected our continued investment in programming and spend on technical costs, as discussed below:

- **Programming:** We incurred additional costs from Radio-Canada's scheduling changes due to the broadcast of the 2018 Olympic Winter Games in early February. This resulted in the shift of some programming to this quarter. In addition this year we are broadcasting some of Radio-Canada's summer programming earlier. We also continued our investment in local services, such as with the coverage of the Ontario elections in June.
- **Technical costs:** This quarter we incurred additional expenses as a result of enhancing our digital capabilities, our IT security program and redesigning our Tou.tv platform.

These increases were partially offset by lower special programming expenses as last year's results included additional operating expenses for Canada 150.

### OTHER OPERATING EXPENSES (↓8.6%)

Other operating expenses include costs related to the broadcasting of the Corporation's programs ("transmission, distribution and collection" and "payments to private stations"), corporate management costs and finance costs.

Other operating expenses decreased by \$2.1 million (↓8.6%), mostly as a result of lower **transmission, distribution and collection** costs of \$1.5 million (↓8.8%) due to reduced costs in different areas of the business, in particular in relation to our satellite transponders. **Finance costs** also continued to decrease, consistent with our expectations.

## GOVERNMENT FUNDING

	For the three months ended June 30		
	2018	2017	% change
Parliamentary appropriations for operating expenditures	257,287	214,883	19.7
Parliamentary appropriations for working capital	1,000	1,000	-
Amortization of deferred capital funding	23,144	22,884	1.1
<b>TOTAL</b>	<b>281,431</b>	<b>238,767</b>	<b>17.9</b>

*Parliamentary appropriations for operating expenditures are recognized based on our expected needs, according to budgeted revenue and expenditures for the period.*

*Capital funding is recorded as **deferred capital funding**. It is amortized and recognized as revenue over the same periods as the related property, equipment and intangible assets are used in CBC/Radio-Canada's operations.*

Parliamentary appropriations for operating expenditures increased by \$42.4 million (↑ 19.7%) in 2018-2019. Government funding recognized in the first quarter of last year was lower as we invested a portion of the proceeds from the sale of our investment in SiriusXM.

## OTHER GAINS AND LOSSES

	For the three months ended June 30		
	2018	2017	% change
Gain on sale of shares	-	54,462	N/M
Loss on disposal of property and equipment and intangibles	(1,370)	(804)	(70.4)
<b>TOTAL</b>	<b>(1,370)</b>	<b>53,658</b>	<b>N/M</b>

N/M = not meaningful

*Other gains and losses reflect items that are not considered to be reflective of the standard activities of the Corporation such as the sale of an investment.*

The loss on disposal of property and equipment and intangibles of \$1.4 million was due to the retirement of assets in the regular course of our operations.

In the same period last year, the gain on sale of shares was due to the sale of our interest in SiriusXM following its privatization in May 2017. The sale was completed at \$4.50 a share, resulting in net proceeds of \$57.6 million and a gain of \$54.5 million. A loss on disposal of other assets of \$0.8 million was recognized due to the retirement of assets in the regular course of our operations.

## TOTAL COMPREHENSIVE INCOME (LOSS)

	For the three months ended June 30		
	2018	2017	% change
Net results for the period	(7,733)	10,378	N/M
Other comprehensive income (loss)			
Remeasurements of defined benefit plans	256,239	(394,289)	N/M
<b>Total comprehensive income (loss) for the period</b>	<b>248,506</b>	<b>(383,911)</b>	<b>N/M</b>

*Remeasurements of defined benefit plans are driven by significant non-cash fluctuations in our pension plan's obligations and assets that occur when actual results or interest rates differ from our actuarial assumptions. We recognize these movements immediately in other comprehensive income (loss) each year.*

Total comprehensive income recognized this quarter was \$248.5 million, compared to a loss of \$383.9 million in the first quarter of the prior year. In addition to net results, total comprehensive income includes remeasurements of defined benefits plans as detailed below.

Remeasurements of defined benefit plans led to an improvement in the pension plan's net position of \$256.2 million this quarter, calculated as follows:

- A \$149.8 million gain on pension plan assets due to a higher return on plan assets than estimated in our actuarial assumptions; and
- A 10 basis-point increase in the discount rate used to value the defined benefit obligation from 3.53% to 3.63%, resulting in actuarial gains of \$106.4 million.

Last year, a \$394.3 million remeasurement loss was recognized in the first quarter. This was mostly due to a significant loss on the pension obligation of \$528.7 million, resulting from a 50 basis-point decrease in the discount rate. This loss was partly offset by a \$134.4 million gain on pension plan assets due to a higher actual return on assets than estimated in our actuarial assumptions.



# CAPITAL RESOURCES, FINANCIAL CONDITION AND LIQUIDITY

## REVENUE AND OTHER SOURCES OF FUNDS

We have four sources of direct funding: government appropriations for operating and capital expenditures, advertising revenue, subscriber fees, and financing and other income:

**Government funding:** This year, operating funding will be \$1,075.0 million, capital funding will be \$109.0 million and working capital funding will be \$4.0 million.

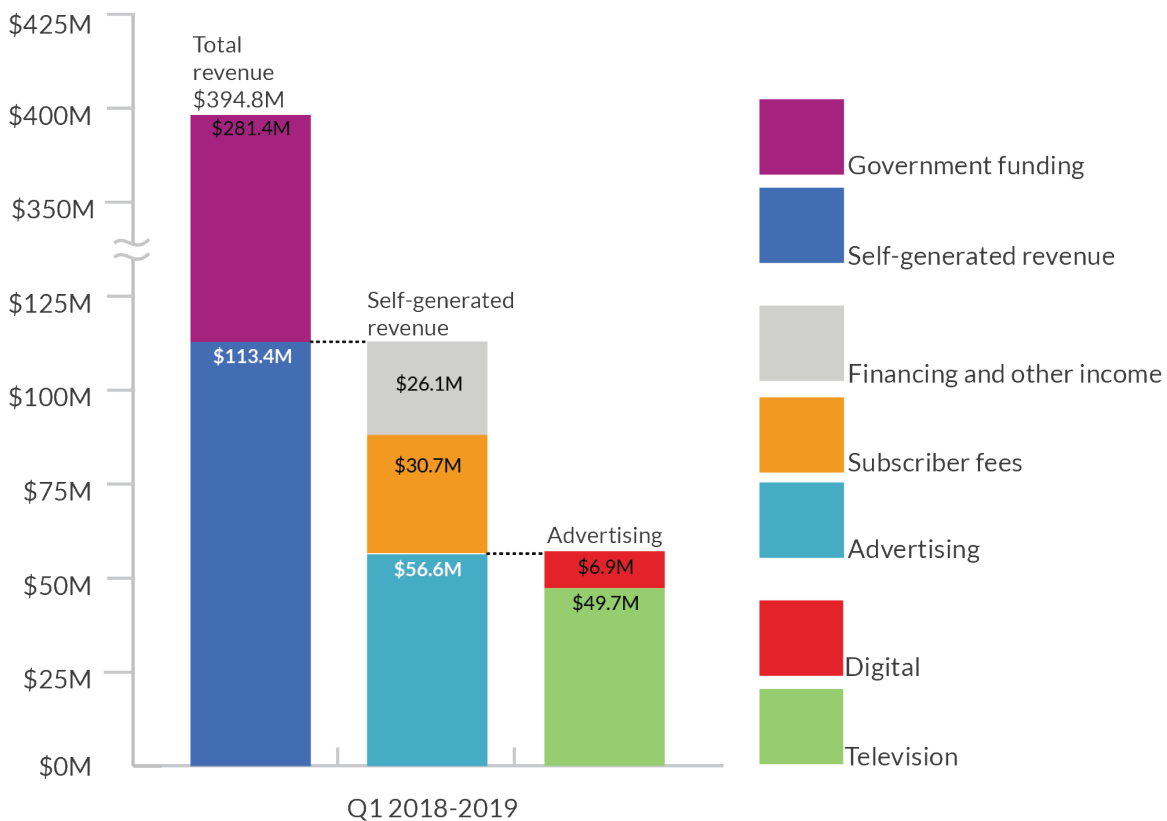
**Advertising revenue:** This includes both ongoing and events-driven sales of advertising on our conventional television channels, specialty television channels and other platforms. Advertising revenue driven by events can have a material impact on the Corporation's self-generated revenue.

Ongoing advertising revenue is decreasing as a proportion of our self-generated revenue and sources of funds mainly as a result of the market's shift away from conventional advertising platforms. Despite being a rising source of self-generated revenue, digital advertising is not significant enough to offset the decline observed in TV advertising.

**Subscriber fees:** Fees from our specialty services: CBC News Network, *documentary*, CBC TV app, ICI EXPLORA, ICI ARTV, ICI RDI, the new ICI TOU.TV EXTRA premium package and Curio.ca. Subscriber fees are experiencing downward pressure from the continuing cord-cutting and cord-shaving trends and the effects of recent regulatory changes enacted by the CRTC (affordable basic TV package, small TV packages, and pick-and-pay TV channels).

**Financing and other income:** Includes both ongoing and events-driven income from activities such as the rental of real estate assets, content sales, leasing of space at our transmission sites, host broadcasting sports events such as Olympic Games or World Championships and contributions from the Canada Media Fund.

In the first quarter, our revenue and sources of funds were as follows:



## BORROWING PLAN

The *Broadcasting Act*, section 46.1, confers on CBC/Radio-Canada the authority to borrow up to \$220.0 million, or such greater amount as may be authorized by parliament, subject to approval of the Minister of Finance. Section 54.(3.1) of the Act requires that our borrowing plan be included in our Corporate Plan. Borrowing to meet working capital purposes is prohibited.

Under the *Broadcasting Act*, section 47.(1), we are an agent of the Crown and therefore have the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all our actions and decisions while we are operating within our mandate. Therefore, our assets and liabilities are the assets and liabilities of the Government of Canada.

## FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

We rely on parliamentary appropriations and the cash generated from commercial operations to fund our operating activities and our capital needs in an environment highly dependent on technology. Specifically, our main sources of liquidity are parliamentary appropriations for operating, capital and working capital requirements, and self-generated revenue such as the sale of advertising on our various platforms.

Our cash balance at June 30, 2018 was \$84.8 million, compared to \$96.0 million on March 31, 2018.

### CASH POSITION

	For the three months ended June 30		
	2018	2017	% change
<b>Cash - beginning of the period</b>	<b>95,978</b>	<b>131,062</b>	<b>(26.8)</b>
<b>Changes in the period</b>			
Cash from (used in) operating activities	5,179	(5,033)	N/M
Cash used in financing activities	(22,429)	(25,434)	11.8
Cash from (used in) investing activities	6,116	(4,639)	N/M
<b>Net change</b>	<b>(11,134)</b>	<b>(35,106)</b>	<b>68.3</b>
<b>Cash - end of the period</b>	<b>84,844</b>	<b>95,956</b>	<b>(11.6)</b>

N/M = not meaningful

### Cash from (used in) operating activities

*Cash from (used in) operating activities includes cash inflows from our drawdowns of parliamentary appropriations for operating expenditures and working capital.*

Cash from operating activities was \$5.2 million this year, an increase in cash of \$10.2 million compared to the same period last year. This quarter, we drew down more parliamentary appropriations than last year, resulting in additional cash inflows for operating activities. These additional inflows exceeded the higher outflows this quarter, resulting in a net cash inflow position.

### Cash used in financing activities

Cash outflows for financing activities were lower by \$3.0 million (↓11.8%). This quarter, cash outflows for financing activities presented above relate primarily to the following:

- Interest payments of \$9.8 million;
- Repayments of the Broadcast Centre Trust bonds of \$8.8 million;
- Payments of notes payable of \$3.7 million; and
- Payments to meet obligations under finance leases of \$0.1 million. These were lower by \$2.9 million compared to the same period last year as our obligation for satellite transponders finance lease ended in February 2018.

### Cash from (used in) investing activities

*Cash from (used in) investing activities includes cash from our drawdowns of parliamentary appropriations for capital expenditures.*

Cash from investing activities was \$6.1 million this year, compared to cash outflows of \$4.6 million in Q1 2017-2018. Cash inflows this quarter were mainly due to a higher drawdown of capital funding relative to capital acquisitions.

Cash outflows from investing activities of \$4.6 million last year were mainly due to the acquisition of marketable securities in excess of the proceeds received from the sale of our interest in SiriusXM (↓18.3 million), partly offset by a higher drawdown of capital funding relative to capital acquisitions (↑10.3 million) and interest received (↑2.0 million).



## RISK UPDATE

As Canada's national public broadcaster, we occupy an important place in the Canadian broadcasting system and face a unique set of risks to our plans and operations. Like all broadcasters, we must adapt to technological changes, shifts in demographics and evolving consumer demands, as well as structural changes in the industry. Given our statutory mandate to serve all Canadians, we also face unique public expectations and financial challenges.

It is our policy to develop, implement and practise effective risk management to ensure risks and opportunities that impact our strategies, objectives and operations are identified, assessed and managed appropriately.

Other than the item noted below, there have been no significant changes to our risk profile since year end. Refer to our 2017-2018 Annual Report for a more detailed assessment of the risks, potential impacts and risk mitigation strategies.

### UNION RELATIONS AND NEGOTIATIONS

Negotiations of a collective agreement continued with the merged union, the Syndicat des Communications de Radio-Canada (SCRC), representing production, technical, editorial and administrative employees in the province of Quebec and the city of Moncton.

On April 21, union members voted on a recommended tentative agreement as the first collective agreement for the merged union previously represented by the SCRC, the Syndicat canadien de la fonction publique (SCFP) and the Syndicat des techniciens et artisans du réseau français (STARF); a slight majority of the members rejected the proposed agreement.

Following this outcome, management proposed a comprehensive settlement to the SCRC bargaining committee; this settlement was put to a vote in mid-June and was also rejected by the members.

On June 18, the SCRC filed a notice of dispute with Labour Canada, resulting in a conciliator being named in the following days. The notice of dispute triggers a formal multi-step process that ultimately enables the parties to acquire the right to trigger a labour disruption if an agreement has not reached within a specific timeframe.



CBC shows its colours at the Halifax Pride Parade on June 21, 2018.



# FINANCIAL REPORTING DISCLOSURE

Our first quarter Condensed Interim Consolidated Financial Statements (“Interim Financial Statements”) were prepared in accordance with IFRS, as issued by the IASB, under IAS 34 – *Interim Financial Reporting* and adopted by the Accounting Standards Board (AcSB). They were approved by the Corporation’s Board of Directors on August 23, 2018. These Interim Financial Statements were prepared using the same basis of presentation and accounting policies as outlined under Note 2 of the Corporation’s Consolidated Financial Statements for the year ended March 31, 2018 except for changes relating to IFRS 9 and IFRS 15 as discussed in Note 3 of our Interim Financial Statements. Our Interim Financial Statements for the quarter ended June 30, 2018 do not include all of the notes required in the annual Consolidated Financial Statements.

Discussion and analysis of our financial condition and results of operations are based upon our Interim Financial Statements.

## **FUTURE ACCOUNTING STANDARDS**

Refer to Note 3 of the Interim Financial Statements for information pertaining to accounting pronouncements that will be effective in future periods and were effective in 2018-2019.

## **KEY ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS**

The preparation of these Interim Financial Statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors.

There have been no material changes to our critical accounting estimates in the first three months of 2018-2019. Our key significant accounting estimates and critical judgments are disclosed throughout the notes of our annual Consolidated Financial Statements.

## **TRANSACTIONS WITH RELATED PARTIES**

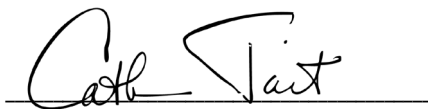
### **TRANSACTIONS WITH DEFINED BENEFIT PLANS**

We made employer contributions to defined benefit plans as discussed in Note 9. We also provided management and administrative services to our defined benefit pension plans.

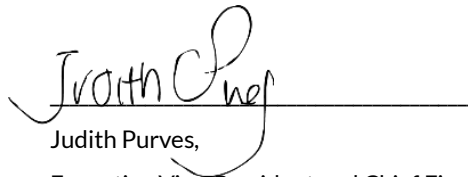
## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these Condensed Interim Consolidated Financial Statements in accordance with IAS 34 - *Interim Financial Reporting*, and for such internal controls as management determines is necessary to enable the preparation of Condensed Interim Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the Condensed Interim Consolidated Financial Statements.

Based on our knowledge, these unaudited Condensed Interim Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the Condensed Interim Consolidated Financial Statements.



Catherine Tait,  
President and Chief Executive Officer



Judith Purves,  
Executive Vice-President and Chief Financial Officer

Ottawa, Canada  
August 23, 2018



# **CONSOLIDATED FINANCIAL STATEMENTS**

FIRST QUARTER  
FINANCIAL REPORT  
**2018-2019**



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# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	NOTE	As at June 30 2018	As at March 31 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		84,844	95,978
Trade and other receivables	4, 14	161,608	205,311
Programming	5	312,222	259,516
Prepaid expenses		36,273	34,499
Promissory notes receivable		3,098	3,448
Investment in finance lease		3,452	3,394
Bonds receivable		115,152	110,712
Derivative financial instruments		431	-
Assets classified as held for sale		4,163	283
		<b>721,243</b>	<b>713,141</b>
<b>Non-current</b>			
Property and equipment	6	745,213	746,838
Intangible assets	7	22,768	23,799
Assets under finance leases		5,866	6,016
Pension plan asset	9	539,862	302,025
Programming	5	24,786	42,984
Promissory notes receivable		33,821	34,616
Investment in finance lease		36,969	37,854
Deferred charges		39,600	38,670
Bonds receivable		41,562	43,373
		<b>1,490,447</b>	<b>1,276,175</b>
<b>TOTAL ASSETS</b>		<b>2,211,690</b>	<b>1,989,316</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		70,324	110,886
Provisions	8	49,613	44,856
Pension plans and employee-related liabilities	9	176,501	129,117
Programming liability	5	15,490	15,151
Bonds payable		19,982	23,624
Obligations under finance leases		573	570
Notes payable		8,075	8,945
Deferred revenue		23,659	19,654
Deferred operating vote drawdown	11	14,463	-
		<b>378,680</b>	<b>352,803</b>
<b>Non-current</b>			
Deferred revenue		10,474	16,820
Pension plans and employee-related liabilities	9	232,231	264,178
Programming liability	5	-	5,017
Bonds payable		195,869	204,682
Obligations under finance leases		5,604	5,745
Notes payable		75,478	79,329
Deferred capital funding	11	535,174	531,068
		<b>1,054,830</b>	<b>1,106,839</b>
<b>TOTAL LIABILITIES</b>		<b>1,433,510</b>	<b>1,459,642</b>
<b>EQUITY</b>			
Retained earnings		777,586	529,029
Total equity attributable to the Corporation		777,586	529,029
Non-controlling interests		594	645
<b>TOTAL EQUITY</b>		<b>778,180</b>	<b>529,674</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,211,690</b>	<b>1,989,316</b>

Commitments (NOTE 16)

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME (LOSS) (UNAUDITED)

For three months ended June 30

	NOTE	2018	2017
<b>REVENUE</b>	<b>10</b>		
Advertising		56,581	55,904
Subscriber fees		30,747	32,113
Other income		23,399	22,789
Financing and investment income		2,656	2,402
		<b>113,383</b>	<b>113,208</b>
<b>GOVERNMENT FUNDING</b>	<b>11</b>		
Parliamentary appropriation for operating expenditures		257,287	214,883
Parliamentary appropriation for working capital		1,000	1,000
Amortization of deferred capital funding		23,144	22,884
		<b>281,431</b>	<b>238,767</b>
<b>EXPENSES</b>			
Television, radio and digital services costs		378,286	370,221
Transmission, distribution and collection costs		15,031	16,489
Corporate management		2,530	2,418
Payments to private stations		-	100
Finance costs		5,330	6,027
		<b>401,177</b>	<b>395,255</b>
<b>Results before other gains and losses</b>		<b>(6,363)</b>	<b>(43,280)</b>
<b>OTHER GAINS AND LOSSES</b>			
Gain on sale of shares	12	-	54,462
Loss on disposal of property and equipment and intangibles	6, 7	(1,370)	(804)
		<b>(1,370)</b>	<b>53,658</b>
<b>Net results for the period</b>		<b>(7,733)</b>	<b>10,378</b>
<b>Net results attributable to:</b>			
The Corporation		(7,682)	10,366
Non-controlling interests		(51)	12
		<b>(7,733)</b>	<b>10,378</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

For three months ended June 30

	NOTE	2018	2017
<b>COMPREHENSIVE INCOME (LOSS)</b>			
Net results for the period		(7,733)	10,378
<b>Other comprehensive income (loss) - not subsequently reclassified to net results</b>			
Remeasurements of defined benefit plans	9	256,239	(394,289)
<b>Total comprehensive income (loss) for the period</b>		<b>248,506</b>	<b>(383,911)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
The Corporation		248,557	(383,923)
Non-controlling interests		(51)	12
		<b>248,506</b>	<b>(383,911)</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	NOTE	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
<b>Balance as at March 31, 2018</b>		529,029	645	529,674
<b>Changes in period</b>				
Net results for the period		(7,682)	(51)	(7,733)
Remeasurements of defined benefit plans	9	256,239	-	256,239
<b>Total comprehensive income for the period</b>		<b>248,557</b>	<b>(51)</b>	<b>248,506</b>
<b>Balance as at June 30, 2018</b>		<b>777,586</b>	<b>594</b>	<b>778,180</b>

	NOTE	Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
<b>Balance as at March 31, 2017</b>		443,472	579	444,051
<b>Changes in period</b>				
Net results for the period		10,366	12	10,378
Remeasurements of defined benefit plans	9	(394,289)	-	(394,289)
<b>Total comprehensive income for the period</b>		<b>(383,923)</b>	<b>12</b>	<b>(383,911)</b>
<b>Balance as at June 30, 2017</b>		<b>59,549</b>	<b>591</b>	<b>60,140</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For three months ended June 30

	NOTE	2018	2017
<b>CASH FLOWS FROM (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Net results for the period		(7,733)	10,378
Adjustments for:			
Loss on disposal of property and equipment and intangibles	6, 7	1,370	804
Gain on sale of shares	12	-	(54,462)
Financing and investment income	10	(2,656)	(2,402)
Finance costs		5,330	6,027
Change in fair value of financial instruments designated as at fair value through profit and loss	14	(431)	344
Depreciation and amortization	6, 7	26,894	28,663
Change in deferred charges		(930)	466
Net change in programming asset	5	13,274	15,272
Amortization of deferred capital funding	11	(23,144)	(22,884)
Change in deferred appropriations for operating expenditures		14,463	54,117
Change in deferred revenue [non-current]		(6,439)	(5,403)
Change in pension plan asset	9	(237,837)	261,721
Change in pension plans and employee-related liabilities	9	233,767	(237,180)
Accretion of promissory notes receivable		403	(6)
Amortization of bond premium		324	-
Movements in working capital	13	(11,476)	(60,488)
		<b>5,179</b>	<b>(5,033)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of obligations under finance leases		(138)	(3,014)
Repayment of bonds		(8,813)	(7,602)
Repayment of notes		(3,694)	(3,526)
Interest paid		(9,784)	(11,292)
		<b>(22,429)</b>	<b>(25,434)</b>
<b>INVESTING ACTIVITIES</b>			
Parliamentary appropriations for capital funding	11	27,250	25,000
Additions to property and equipment	6	(21,540)	(10,583)
Additions to intangible assets	7	(698)	(4,076)
Acquisition of marketable securities		-	(76,171)
Acquisition of bonds receivable		(19,734)	-
Net proceeds from disposal of property and equipment	6	136	242
Net proceeds from disposal of shares		-	57,580
Collection of bonds receivable		16,746	-
Collection of promissory notes receivable		735	685
Collection of finance leases receivable		779	731
Interest received		2,442	1,953
		<b>6,116</b>	<b>(4,639)</b>
Change in cash		<b>(11,134)</b>	<b>(35,106)</b>
Cash, beginning of the period		<b>95,978</b>	<b>131,062</b>
<b>Cash, end of the period</b>		<b>84,844</b>	<b>95,956</b>

The accompanying notes form an integral part of the condensed interim consolidated financial statements.



# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED JUNE 30, 2018

## BUSINESS AND ENVIRONMENT

This Section sets out the basis of preparation of these condensed interim financial statements when compared to the Corporation's latest complete set of audited annual financial statements for the year ended March 31, 2018. This section also shows new and future accounting standards and whether they are effective in 2018 or later years. We explain how these changes are expected to impact the financial position and performance of the Corporation.



### 1. GENERAL INFORMATION

CBC/Radio-Canada (the Corporation) was first established by the 1936 *Broadcasting Act*. The Corporation, a federal Crown Corporation domiciled in Canada, is an agent of Her Majesty and all assets and liabilities are those of the Government. Its registered office is located at 181 Queen Street, Ottawa ON K1P 1K9. The Corporation is accountable to Parliament through the Minister of Canadian Heritage and in accordance with section 85(1.1) of the *Financial Administration Act*, the Corporation is exempt from certain sections from Divisions I to IV of Part X of this act.

As the national public broadcaster, the Corporation provides radio, television and digital services in both official languages, delivering predominantly and distinctly Canadian programming to reflect Canada and its regions to national and regional audiences.



### 2. SIGNIFICANT ACCOUNTING POLICIES

#### A. STATEMENT OF COMPLIANCE

The Corporation has prepared these condensed interim consolidated financial statements as required by Section 131.1 of the *Financial Administration Act* which requires most parent Crown Corporations to prepare and make public quarterly financial reports in compliance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations. These condensed interim consolidated financial statements also comply with IAS 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board (IASB) and adopted by the Accounting Standards Board (AcSB).

These condensed interim consolidated financial statements have not been audited or reviewed by the Corporation's external auditor. They have been authorized for issuance by the Board of Directors on August 23, 2018.

All amounts are in Canadian dollars, which is our functional currency, and rounded to the nearest thousand, unless otherwise noted.

#### B. BASIS OF PREPARATION

##### Basis of Presentation

As permitted under IAS 34, these interim consolidated financial statements are presented on a condensed basis and therefore do not include all disclosures that would otherwise be required in a full set of financial statements. These condensed interim consolidated financial statements are intended to provide an update on the Corporation's latest complete set of audited annual financial statements for the year ended March 31, 2018 ("2018 audited annual financial statements"). Accordingly, they should be read in conjunction with the 2018 audited annual financial statements.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except as permitted by IFRS and as otherwise indicated within these notes.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's 2018 audited annual financial statements, except for the application of the following new standards effective April 1, 2018:

- the adoption of IFRS 15 – *Revenue from contracts with Customers*
- the adoption of IFRS 9 – *Financial Instruments*

See Note 3 A for further details.

The accounting policies have been applied consistently to all periods presented, unless otherwise noted.

### Seasonality

Excluding government appropriations, approximately 50% of the Corporation's self-generated revenue comes from advertising revenue that tends to follow seasonal patterns, with the second quarter typically being the lowest as the summer season typically attracts fewer viewers. Advertising revenue also varies according to market and general economic conditions and the programming schedule. By contrast, subscriber-based revenue is less volatile on a quarter-by-quarter basis. Operating expenses also tend to follow a seasonal pattern, as they are influenced by the programming schedule.

### Key sources of Estimation Uncertainty and Critical Judgments

The preparation of these condensed interim consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of such financial statements and the reported amounts of revenue and expenses recorded during the period, as well as all related disclosures.

Estimates are regularly reviewed by management and changes in those estimates are recognized prospectively by including them in the Condensed Interim Consolidated Statement of Income (Loss) in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. Actual results could significantly differ from those estimates. Similarly, critical judgments are reassessed at each reporting date.



## 3. NEW AND FUTURE ACCOUNTING STANDARDS

### A. ADOPTION OF NEW ACCOUNTING STANDARDS

The following new pronouncements issued by the IASB or the IFRS Interpretations Committee were adopted by the Corporation effective April 1, 2018:

#### IFRS 15 – *Revenue from Contracts with Customers*

On April 1, 2018, the Corporation adopted IFRS 15 – *Revenue from Contracts with Customers* and all related amendments (the "new revenue standard"). The new revenue standard was applied to all contracts retrospectively using the full retrospective approach. The adoption of the new revenue standard did not result in any significant changes to, or have a significant financial impact on the Corporation's financial statements. Consequently, no transitional adjustments were made to retained earnings on April 1, 2017, comparative information was not restated and a third statement of financial position as at April 1, 2017 was not presented. Furthermore, the impact of the adoption of the new revenue standard is immaterial to our revenue on an ongoing basis. The Corporation has updated its accounting policy for revenue (as explained under Note 10 Revenue) to reflect key principles of the new revenue standard as described below.

The new revenue standard replaces the existing standards IAS 11, IAS 18, and all revenue-related interpretations.

The core principle of the new standard is to recognize revenue that depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Corporation expects to be entitled to in exchange for those goods or services. Additionally, the standard changes the basis for deciding whether revenue is to be recognized over time or at a particular point in time and expands and improves disclosures about revenue.

The new revenue standard defines a five-step framework for recognizing revenue, which includes:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations identified in the contract.
5. Recognizing revenue when the performance obligation is satisfied.

New qualitative and quantitative disclosures, which are included in these condensed interim consolidated financial statements, offer users greater clarity on the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers.

For more information about the new revenue standard and our related estimates and judgments, refer to Note 10 Revenue.

## IFRS 9 – Financial Instruments

On April 1, 2018, the Corporation adopted IFRS 9 – *Financial Instruments* which replaces IAS 39 – Financial instruments: recognition and measurement, and all previously issued versions of IFRS 9.

The nature of the main changes resulting from the new standard is as follows:

**Classification and measurement of financial instruments:** Financial assets are classified and subsequently measured at amortized cost or fair value through profit or loss based on both the Corporation’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Corporation’s financial assets are classified into one of the following measurement categories:

- Financial assets held for the purpose of collecting contractual cash flows (“held to collect”) that represent solely payments of principal and interest (“SPPI”) are measured at amortized cost;
- Financial assets that are not considered to be solely payments of principal and interest are measured at fair value through profit or loss (“FVTPL”).

The Corporation’s financial liabilities remain unchanged and continue to be measured at amortized cost.

There were no changes made to the Corporation’s measurement of financial assets and financial liabilities as a result of the adoption of IFRS 9.

Classifications of financial instruments have changed in accordance with IFRS 9 as outlined in the table below:

ASSET/LIABILITY	IAS 39 CLASSIFICATION	IFRS 9 CLASSIFICATION
Cash	Fair value through profit and loss	Fair value through profit and loss
Trade and Other Receivable	Loans and receivables	Amortized cost
Promissory Notes Receivable	Loans and receivables	Amortized cost
Bonds Receivable	Held-to-maturity	Amortized cost
Investment in Finance Lease	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bonds Payable	Other liabilities	Amortized cost
Notes Payable	Other liabilities	Amortized cost
Obligations under Finance Leases	Other liabilities	Amortized cost

**Impairment of financial assets:** The new impairment model is an expected credit loss (“ECL”) model which implies both an earlier recognition of impairment losses and a disclosure of more timely and forward-looking information. Additionally, it is no longer necessary for a loss event to occur before an impairment loss is recognized.

The simplified approach is applied to trade receivables and contract assets that result from transactions within the scope of IFRS 15. Under the simplified approach, a loss allowance based on lifetime ECL is determined by historical loss rates, adjusted for current conditions and forward looking information, and applied to segments of receivable balances at each reporting date. The lifetime ECL for all other financial assets is determined by the present value of the cash shortfalls over the expected life of the financial assets.

The adoption of IFRS 9 did not have a significant impact on the consolidated financial statements and no transitional adjustments were required to retained earnings at April 1, 2018.

## B. FUTURE ACCOUNTING CHANGES

The IASB issued the following new standard which was not in effect and was not applied as at June 30, 2018. This new standard will impact the consolidated financial statements of the Corporation. The Corporation does not expect to early adopt this standard.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 16 <i>Leases</i>	Supersedes IAS 17 - <i>Leases</i> and related Interpretations. Eliminates the classification of leases as either operating or finance leases for a lessee for all leases unless the lease term is 12 months or less or the underlying asset has a low value. All applicable leases are accounted for in a similar manner to finance leases under IAS 17. This standard will result in an expected increase in assets and financial liabilities.  Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained.	The Corporation is still assessing the potential impact of IFRS 16 on its consolidated financial statements. IFRS 16 will increase the Corporation's recognized assets and liabilities and affect the presentation and timing of related depreciation and interest charges in the Consolidated Statement of Income (Loss). In many instances, what was previously disclosed as an operating lease commitment will now be recognized as a lease liability with an associated right-of-use asset.	Effective April 1, 2019, applied retrospectively.

## ASSETS AND LIABILITIES

This section shows the assets used to fulfill the public broadcaster's mandate and the liabilities incurred as a result. Only significant items are discussed below.



### 4. TRADE AND OTHER RECEIVABLES

	June 30, 2018	March 31, 2018
Trade receivables	149,086	191,249
Allowance for doubtful accounts	(890)	(1,106)
Other	13,412	15,168
	<b>161,608</b>	<b>205,311</b>

Trade receivables disclosed above include amounts that are past due at the end of the reporting period. The decrease in trade receivables compared to year-end is mostly due to higher advertising receivables related to the PyeongChang 2018 Olympic Winter Games in February 2018 that were not yet collected.

Trade receivables are subject to credit risk, which is further discussed in Note 14 B.



## 5. PROGRAMMING

### A. PROGRAMMING BY CATEGORY

	June 30, 2018	March 31, 2018
Completed programs	102,507	115,696
Programs in process of production	143,907	78,888
Broadcast rights available for broadcast within the next twelve months	65,808	64,932
	<b>312,222</b>	<b>259,516</b>
Broadcast rights not available for broadcast within the next twelve months	24,786	42,984
	<b>337,008</b>	<b>302,500</b>

### B. MOVEMENT IN PROGRAMMING

	June 30, 2018	March 31, 2018
Opening balance	302,500	326,434
Additions	312,947	1,114,224
Programs broadcast	(278,439)	(1,138,158)
<b>Balance, end of period</b>	<b>337,008</b>	<b>302,500</b>

Programs broadcast include programming write-offs for the three months ended June 30, 2018 of \$0.9 million (2017 – \$0.4 million). Programming write-offs are mainly due to terminated projects, programming not suitable for telecast or pilots not progressing into a series.



## 6. PROPERTY AND EQUIPMENT

### A. COST AND ACCUMULATED DEPRECIATION

	Land	Buildings	Leasehold improvements	Technical equipment	Computer, office equipment and other	Uncompleted capital projects	Total
<b>Cost as at March 31, 2018<sup>1</sup></b>	111,790	483,295	70,430	1,069,788	155,784	33,657	1,924,744
Additions	-	-	-	2,378	885	25,285	28,548
Transfers (refer to Note 7)	-	2,685	166	6,934	528	(10,249)	64
Assets classified as held for sale	(278)	(8,011)	-	(450)	-	-	(8,739)
Disposals and write-offs	-	(2,793)	-	(12,684)	(1,519)	-	(16,996)
<b>Cost as at June 30, 2018</b>	<b>111,512</b>	<b>475,176</b>	<b>70,596</b>	<b>1,065,966</b>	<b>155,678</b>	<b>48,693</b>	<b>1,927,621</b>
Accumulated depreciation as at March 31, 2018 <sup>1</sup>	-	(237,396)	(38,279)	(787,510)	(114,721)	-	(1,177,906)
Depreciation for the period	-	(6,768)	(887)	(14,220)	(3,051)	-	(24,926)
Reclassification of depreciation on assets classified as held for sale	-	4,432	-	427	-	-	4,859
Reclassification of depreciation on disposals and write-offs	-	1,833	-	12,336	1,396	-	15,565
<b>Accumulated depreciation as at June 30, 2018</b>	<b>-</b>	<b>(237,899)</b>	<b>(39,166)</b>	<b>(788,967)</b>	<b>(116,376)</b>	<b>-</b>	<b>(1,182,408)</b>
<b>Net carrying amount as at June 30, 2018</b>	<b>111,512</b>	<b>237,277</b>	<b>31,430</b>	<b>276,999</b>	<b>39,302</b>	<b>48,693</b>	<b>745,213</b>

<sup>1</sup> The opening cost and accumulated depreciation balances for land and buildings as at March 31, 2018, have been revised to reflect the remeasurement charge of \$36.5 million that was recorded upon classifying Maison de Radio-Canada premises as held-for-sale in the prior year.

	Land	Buildings	Leasehold improvements	Technical equipment	Computer, office equipment and other	Uncompleted capital projects	Total
<b>Cost as at March 31, 2017</b>	174,118	557,601	65,468	1,051,515	153,758	50,395	2,052,855
Additions	-	64	-	16,366	2,727	63,342	82,499
Transfers (refer to Note 7)	8	15,005	6,458	53,948	7,839	(80,009)	3,249
Assets classified as held for sale	(57)	(208)	-	(939)	-	-	(1,204)
Disposals and write-offs	(41,272)	(73,678)	(1,496)	(51,102)	(8,540)	(71)	(176,159)
<b>Cost as at March 31, 2018</b>	<b>132,797</b>	<b>498,784</b>	<b>70,430</b>	<b>1,069,788</b>	<b>155,784</b>	<b>33,657</b>	<b>1,961,240</b>
Accumulated depreciation as at March 31, 2017	-	(260,831)	(35,503)	(780,043)	(110,571)	-	(1,186,948)
Depreciation for the year	-	(27,578)	(3,945)	(57,649)	(12,607)	-	(101,779)
Remeasurement charge	(21,007)	(15,489)	-	-	-	-	(36,496)
Reclassification of depreciation on assets classified as held for sale	-	208	-	813	-	-	1,021
Reclassification of depreciation on disposals and write-offs	-	50,805	1,169	49,369	8,457	-	109,800
<b>Accumulated depreciation as at March 31, 2018</b>	<b>(21,007)</b>	<b>(252,885)</b>	<b>(38,279)</b>	<b>(787,510)</b>	<b>(114,721)</b>	<b>-</b>	<b>(1,214,402)</b>
<b>Net carrying amount as at March 31, 2018</b>	<b>111,790</b>	<b>245,899</b>	<b>32,151</b>	<b>282,278</b>	<b>41,063</b>	<b>33,657</b>	<b>746,838</b>

The contractual commitments for the acquisition of property and equipment were \$86.0 million as at June 30, 2018 (March 31, 2018 - \$80.4 million).

## B. IMPAIRMENT AND OTHER CHARGES

In 2017-2018, the Corporation sold its Maison de Radio-Canada (MRC) assets. This sale resulted in a remeasurement charge of \$36.5 million and the release of an associated deferred capital funding liability of \$28.5 million. Refer to Note 14 of the Corporation's 2018 audited annual financial statements for more details.

No impairment loss was recorded in the Corporation's Condensed Interim Consolidated Statement of Income (Loss) first quarter of 2018-2019 (2017-2018 - nil). There were no impairment losses reversed during the three months ended June 30, 2018 (2017-2018 - nil).

## C. ASSETS CLASSIFIED AS HELD FOR SALE

Consistent with the Corporation's financial plan to reduce its real estate footprint, several properties were classified as held for sale for accounting purposes as at June 30, 2018 with a total carrying value of \$4.2 million (March 31, 2018 - \$0.3 million). These properties are expected to be sold on a site by site basis over the next twelve months.

## D. DISPOSALS

There were no significant disposals during the first quarter of 2018-2019.

Other insignificant net gains and losses during the three months ended June 30, 2018 resulted from the disposal or retirements of equipment as part of the Corporation's normal asset refresh cycle.



## 7. INTANGIBLE ASSETS

	Internally developed software	Acquired software	Uncompleted capital projects	Total
<b>Cost as at March 31, 2018</b>	146,885	44,157	1,099	192,141
Additions	-	47	878	925
Transfers (refer to Note 6)	488	378	(930)	(64)
Disposals and write-offs	(1,139)	-	340	(799)
<b>Cost as at June 30, 2018</b>	<b>146,234</b>	<b>44,582</b>	<b>1,387</b>	<b>192,203</b>
Accumulated depreciation as at March 31, 2018	(140,370)	(27,972)	-	(168,342)
Amortization for the period	(323)	(1,495)	-	(1,818)
Reclassification of amortization on disposals and write-offs	725	-	-	725
<b>Accumulated amortization as at June 30, 2018</b>	<b>(139,968)</b>	<b>(29,467)</b>	<b>-</b>	<b>(169,435)</b>
<b>Net carrying amount as at June 30, 2018</b>	<b>6,266</b>	<b>15,115</b>	<b>1,387</b>	<b>22,768</b>

	Internally developed software	Acquired software	Uncompleted capital projects	Total
<b>Cost as at March 31, 2017</b>	141,452	37,550	14,116	193,118
Additions	-	159	10,543	10,702
Transfers (refer to Note 6)	5,823	7,949	(17,021)	(3,249)
Disposals and write-offs	(390)	(1,501)	(6,539)	(8,430)
<b>Cost as at March 31, 2018</b>	<b>146,885</b>	<b>44,157</b>	<b>1,099</b>	<b>192,141</b>
Accumulated amortization as at March 31, 2017	(138,904)	(24,197)	-	(163,101)
Amortization for the year	(1,857)	(5,276)	-	(7,133)
Reclassification of amortization on disposals and write-offs	391	1,501	-	1,892
<b>Accumulated amortization as at March 31, 2018</b>	<b>(140,370)</b>	<b>(27,972)</b>	<b>-</b>	<b>(168,342)</b>
<b>Net carrying amount as at March 31, 2018</b>	<b>6,515</b>	<b>16,185</b>	<b>1,099</b>	<b>23,799</b>

The contractual commitments for the acquisition of intangible assets were \$4.0 million as at June 30, 2018 (March 31, 2018 – \$0.9 million).

There were no impairment losses recorded or reversed during the three months ended June 30, 2018 (2017 – nil).



## 8. PROVISIONS

	Legal and other	Environmental	Total
Opening balance	44,489	367	44,856
Additional provisions recognized	5,035	-	5,035
Provisions utilized	(67)	-	(67)
Reductions resulting from remeasurement or settlement without cost	(211)	-	(211)
<b>Balance, end of period</b>	<b>49,246</b>	<b>367</b>	<b>49,613</b>

Various claims and legal proceedings have been asserted or instituted against the Corporation. Some of these claims demand large monetary damages or other form of relief, and could result in significant expenditures. These claims consist mainly of copyright tariffs, grievances and other legal claims.

Litigation is subject to many uncertainties and the outcome of individual matters is not always predictable. Claims that are uncertain in terms of the outcome or potential outflow or that are not measurable are considered to be a contingency and are not recorded in the Corporation's consolidated financial statements. In addition, claims where cash outflows are not probable are considered as contingencies.

At June 30, 2018, the Corporation had legal and other provisions amounting to \$49.2 million (March 31, 2018 – \$44.5 million). All matters are classified as current because, where estimable, the Corporation is working to resolve these matters within 12 months.



## 9. PENSION PLANS AND EMPLOYEE RELATED LIABILITIES

### A. PENSION PLAN ASSET/LIABILITY AND EMPLOYEE-RELATED LIABILITIES

Employee-related assets/liabilities recognized and presented in the Condensed Interim Consolidated Statement of Financial Position are as follows:

	Current		Non-current	
	June 30, 2018	March 31, 2018	June 30, 2018	March 31, 2018
Pension plan asset	-	-	539,862	302,025
Pension plan liability	-	-	116,441	117,520
Other post-employment plans	-	-	115,790	117,814
Vacation pay	63,531	60,080	-	-
Termination benefits	6,899	7,527	-	-
Salary-related liabilities	106,071	61,510	-	28,844
<b>Total pension plans and employee-related liabilities</b>	<b>176,501</b>	<b>129,117</b>	<b>232,231</b>	<b>264,178</b>

The amount included in the Condensed Interim Consolidated Statement of Financial Position arising from the Corporation's obligation in respect of its defined benefit plans is as follows:

	Funded pension plan	Unfunded pension plans	Other post-employment plans	Funded pension plan	Unfunded pension plans	Other post-employment plans
	June 30, 2018			March 31, 2018		
Fair value of plan assets	7,232,067	-	-	7,071,998	-	-
Defined benefit obligation	6,692,205	116,441	115,790	6,769,973	117,520	117,814
<b>Net asset (liability) arising from defined benefit obligation</b>	<b>539,862</b>	<b>(116,441)</b>	<b>(115,790)</b>	<b>302,025</b>	<b>(117,520)</b>	<b>(117,814)</b>

### B. SIGNIFICANT ACTUARIAL ASSUMPTIONS

As disclosed in Note 17 Pension Plans and Employee-Related Liabilities of the Corporation's 2018 audited annual financial statements, the Corporation reviews its actuarial assumptions at each reporting period to ensure that the net defined benefit (liability) asset recognized in the financial statements is updated for significant changes in assumptions and significant changes arising from non-recurring events. The impact on the net defined benefit (liability) asset arising from any such changes in assumptions is recognized in other comprehensive income as a remeasurement for the period.

The significant actuarial assumptions used for the purposes of determining the defined benefit obligation and pension benefit costs are as follows:

Assumptions – annual rates	June 30, 2018	March 31, 2018
<b>Assumptions for the calculation of pension benefit costs:</b>		
Discount rate	3.53%	3.75%
<b>Assumptions for the calculation of the benefit obligation:</b>		
Discount rate - pension	3.63%	3.53%
Discount rate - long service gratuity	3.37%	3.24%
Discount rate - LTD benefit	3.37%	3.24%
Discount rate - life insurance	3.58%	3.47%

## C. TOTAL CASH PAYMENTS

Cash payments for pension, other post-employment and other long-term benefits for the Corporation were as follows:

	For three months ended June 30	
	2018	2017
Benefits paid directly to beneficiaries	2,909	2,862
Employer regular contributions to pension benefit plans	12,345	12,537
<b>Total cash payments for defined benefit plans</b>	<b>15,254</b>	<b>15,399</b>

The Plan is funded on the basis of actuarial valuations, which are made on an annual basis. Employees are required to contribute a percentage of their pensionable salary to the Plan. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

## D. MOVEMENTS IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

	June 30, 2018		March 31, 2018	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	6,887,493	117,814	6,579,699	132,772
Current service cost	28,321	1,024	106,230	5,523
Interest cost	60,186	869	244,017	4,124
Contributions from employees	12,995	-	57,278	-
Remeasurements:				
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	(73,510)	(10,566)
Actuarial losses (gains) arising from changes in financial assumptions	(103,423)	(1,008)	217,793	(2,592)
Actuarial losses (gains) arising from experience adjustments	(2,023)	-	52,016	1,035
Benefits paid	(74,903)	(2,909)	(296,030)	(12,482)
<b>Closing defined benefit obligation</b>	<b>6,808,646</b>	<b>115,790</b>	<b>6,887,493</b>	<b>117,814</b>

## E. MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS

	June 30, 2018		March 31, 2018	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	7,071,998	-	6,733,325	-
Administration fees (other than investment management fees)	(1,775)	-	(6,600)	-
Interest income on plan assets	61,543	-	248,727	-
Return on plan assets, excluding interest income	149,864	-	281,474	-
Contributions from employees	12,995	-	57,278	-
Contributions from the Corporation	12,345	2,909	53,824	12,482
Benefits paid	(74,903)	(2,909)	(296,030)	(12,482)
<b>Closing fair value of plan assets</b>	<b>7,232,067</b>	<b>-</b>	<b>7,071,998</b>	<b>-</b>

## F. DEFINED BENEFIT PLAN COSTS

### Amounts recognized in comprehensive income (loss)

	For three months ended June 30	
	2018	2017
Current service cost	29,345	27,694
Administration fees (other than investment management fees)	1,775	1,650
Interest cost on defined benefit obligation	61,055	61,943
Interest income on plan assets	(61,543)	(62,182)
Other	(79)	139
<b>Expense recognized in net results</b>	<b>30,553</b>	<b>29,244</b>
Less:		
Remeasurements recognized in other comprehensive income (loss)	(256,239)	394,289
<b>Total</b>	<b>(225,686)</b>	<b>423,533</b>

Retained earnings include \$924.2 million of cumulative actuarial gains as at June 30, 2018 (March 31, 2018 gains – \$668.0 million).

### Expense recognized in net results

	For three months ended June 30	
	2018	2017
Television, radio and digital services costs	29,331	28,074
Transmission, distribution and collection	917	877
Corporate management	305	293
<b>Total</b>	<b>30,553</b>	<b>29,244</b>

# INCOME, OTHER GAINS AND LOSSES AND CASH FLOWS

This Section focuses on the results and cash flows of the Corporation. On the following pages you will find disclosures explaining the Corporation's revenue and government funding for the period and supplemental cash flow information.



## 10. REVENUE

As discussed in Note 3 A, we have applied the new revenue standard IFRS 15 as at April 1, 2018. The following provides a full set of disclosures under IFRS 15.

Accounting Policies	Critical Accounting Estimates and Judgments
<p>Revenue is recognized when control of the promised goods and services is transferred to the Corporation's customers in an amount that reflects the consideration expected in exchange for those goods and services. The Corporation's primary revenue streams are:</p> <ul style="list-style-type: none"> <li>• Advertising;</li> <li>• Subscriber fees;</li> <li>• Production revenue;</li> <li>• Program license sales, and;</li> <li>• Retransmission rights.</li> </ul> <p>The transaction price of a contract for any of these revenue streams can include fixed and variable consideration as well as, infrequently, non-monetary compensation that is measured at its fair value. If the Corporation cannot reasonably estimate the fair value of the non-monetary compensation, the Corporation measures the consideration received indirectly by reference to the stand-alone selling price of the goods or services transferred.</p> <p>Consistent with other organizations in the industry, sale of advertising airtime are primarily made through agencies. These agencies typically remit their payment within 90 days. For other revenue streams, payment is typically received within 30 days, which are the Corporation's average credit terms.</p> <p>Detailed accounting policies are presented below for each of the Corporation's main revenue stream.</p> <p><u>Arrangements with Multiple Performance Obligations</u></p> <p>The Corporation's contracts with customers may include multiple performance obligations. For such arrangements, the Corporation allocates the transaction price to each identified performance obligation based on its relative standalone selling price. The Corporation generally determines standalone selling prices based on the prices charged to customers of the same class in similar transactions.</p> <p><u>Practical expedients</u></p> <p>The Corporation has elected to use the following practical expedients:</p> <ul style="list-style-type: none"> <li>• The Corporation has elected not to restate contracts that have been completed at the beginning of the earliest period presented. The effect of applying this practical expedient is immaterial.</li> <li>• The Corporation does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.</li> </ul>	<p>Judgment is required in the identification of performance obligations in each of the major revenue streams.</p> <p>Furthermore, judgment is required in the determination of the stand-alone selling price of some performance obligations for purposes of allocating the transaction price.</p> <p>All of the above have the potential to result in a different timing of revenue recognition arising from the estimates and judgments made.</p> <p>For more details about our critical judgments by revenue stream, refer to the tables below.</p>

- The Corporation does not adjust the amount of consideration for the effects of a significant financing component since the period between when the Corporation provides a service and obtains payment from a customer is usually one year or less.

For three months ended June 30

	2018	2017 (revised)
TV advertising <sup>1</sup>	49,734	48,345
Digital advertising	6,847	7,559
Subscriber fees	30,747	32,113
Production revenue <sup>2</sup>	9,142	9,641
Program license sales	5,051	4,990
Retransmission rights	754	759
Program sponsorship	330	328
Other services	480	658
<b>Revenue from contracts with customers</b>	<b>103,085</b>	<b>104,393</b>
Foreign exchange gain	122	118
Net gain (loss) from the change in fair value of financial instruments	431	(535)
Leasing Income <sup>3</sup>	7,089	6,830
Financing Income	2,656	2,402
<b>Other sources of income*</b>	<b>10,298</b>	<b>8,815</b>
	<b>113,383</b>	<b>113,208</b>

\*Out of scope of IFRS 15 - Revenue from Contracts with Customers.

<sup>1</sup>TV advertising includes revenue from exchange of services of \$0.6 million (2017 - \$0.3 million).

<sup>2</sup>Production revenue includes revenue from exchange of services of \$5.4 million (2017 - \$5.9 million).

<sup>3</sup>Income stream formerly titled "Building and tower rentals".

## Change in Presentation

For the year-ended March 31, 2018, the Corporation modified the classification of some revenue sources to better reflect the nature of these revenue streams. As a result, the comparative figures have been restated to reflect these changes in the presentation. For more details about these reclassifications, refer to Note 22 of the 2018 audited annual financial statements.

## Advertising

### NATURE OF PERFORMANCE OBLIGATIONS

The Corporation offers advertising services through its television and digital platforms. Advertising sales revenue arises from the sale of advertising placements in exchange for monetary and/ or non-monetary compensation, based on negotiated rates with agencies and direct advertisers.

Each advertising placement represents a performance obligation under advertising sales agreements. An advertising placement can either be provided in exchange for compensation or provided for free as part of a sales incentive.

### HOW THE CORPORATION RECOGNIZES REVENUE

Revenue from the **provision of advertising services** is recognized at the time the advertising placement has been broadcast and when the guaranteed level of audience or ratings has been achieved.

When the guaranteed level of audience or ratings has not been achieved, the performance obligation is not satisfied until a compensational spot has been broadcast and when the guaranteed level of audience or ratings has been achieved.

The standalone selling price of each advertising spot is determined based on observable inputs such as those listed in published rate cards.



For three months ended June 30

	2018	2017 (revised)
<b>Advertising revenue</b>		
<u>TV advertising</u>		
English market	19,657	21,239
French market	30,077	27,106
<b>Total TV advertising</b>	<b>49,734</b>	<b>48,345</b>
<u>Digital advertising</u>		
English market	4,137	4,889
French market	2,710	2,670
<b>Total digital advertising</b>	<b>6,847</b>	<b>7,559</b>
<b>Total advertising revenue</b>	<b>56,581</b>	<b>55,904</b>

## Subscriber fees

### NATURE OF PERFORMANCE OBLIGATIONS

The Corporation provides ongoing delivery of programming to:

- Cable, national direct to home satellite, or internet protocol television service providers (commonly referred as Broadcast Distribution Undertakings or “BDUs”) through specialty channel subscriptions; and
- Individual customers through online monthly subscriptions.

The performance obligations under subscription agreements consist of a right to access the programming which is provided on a monthly basis.

### HOW THE CORPORATION RECOGNIZES REVENUE

#### Specialty channels subscriptions

The performance obligation is satisfied as the Corporation makes its specialty TV signal available in good quality to the BDU as required by the contract.

Consideration consists of a fixed fee for the subscription period and at times also includes usage-based variable fees. The fixed fee is recognized as revenue on a straight-line basis because performance occurs evenly over the subscription period. The variable fees are recognized as revenue in the period the usage is incurred.

#### Online subscriptions

The performance obligation is satisfied as the Corporation makes its content available to customers online.

Consideration consists of a fixed fee for the subscription period and revenue is recognized on a straight-line basis because performance occurs evenly over the subscription period.

For three months ended June 30

	2018	2017 (revised)
<b>Subscriber revenue</b>		
English market	16,501	17,309
French market	14,246	14,804
<b>Total subscriber revenue</b>	<b>30,747</b>	<b>32,113</b>

## Other income

### NATURE OF PERFORMANCE OBLIGATIONS

**Production revenue** comprises mainly revenue from:

- Facilities and services rental to independent producers in exchange for monetary and/ or non-monetary compensation. These service arrangements generally include the use of the Corporation's facilities, equipment as well as labour hours.
- Host broadcasting services – The Corporation enters into agreements to sell broadcasting feeds to third party networks, most notably during major sporting events such as the Olympic Games.

Services provided under a facilities and services rental contract or an host broadcasting arrangement are accounted for as a single performance obligation since the services are provided concurrently to the customer over the contract term.

The Corporation's **sale of program licences** is earned when the Corporation enters into programming agreements to sell content in the domestic market and overseas.

These licenses grant rights to third parties for them to use existing CBC/Radio-Canada's programs that have either ended (commonly referred to as "syndicated content") or are still in production (commonly referred to as "current content").

For both syndicated and current content licensing arrangements of a season of program, the bundle of license rights of individual episodes represent a single combined performance obligation since the licenses are delivered concurrently and the right to use has commenced for all licenses within a bundle.

**Leasing income** arises when the Corporation enters into agreements with third parties to lease excess space within its buildings and/ or transmission towers.

### HOW THE CORPORATION RECOGNIZES REVENUE

**Production revenue** is recognized:

- Over time as the independent producer simultaneously receive and consume the benefits of the facilities and services rental provided by the Corporation.

The Corporation is compensated for each day of service based on agreed upon daily rates. Consideration for any additional services provided is recognized as revenue in the period it is provided.

Revenue is recognized at the daily rate for each day of facilities and service rentals provided.

- Over time as the broadcasting feed is provided to the customer in accordance with the contract terms.

Consideration for host broadcasting services consists of fixed prices stated in the contract.

**Licensing revenue** is recognized when the content is delivered and when the license term commences.

Consideration consists of fixed prices stated in the contract for the content or license.

**Leasing income** is recognized on a straight-line basis over the term of the lease agreement and accounted for in accordance with IAS 17 - *Leases*.

For three months ended June 30

	2018	2017 (revised)
<b>Other income</b>		
<u>Production revenue</u>		
English market	6,003	6,297
French market	3,139	3,344
<b>Total production revenue</b>	<b>9,142</b>	<b>9,641</b>
<u>Program license sales</u>		
English market	3,470	3,227
French market	1,581	1,763
<b>Total program license sales</b>	<b>5,051</b>	<b>4,990</b>
Leasing income*	7,089	6,830
Retransmission rights	754	759
Program sponsorship	330	328
Other services	480	658
Other gains and losses*	553	(417)
	<b>9,206</b>	<b>8,158</b>
<b>Total other income</b>	<b>23,399</b>	<b>22,789</b>

\* Out of scope of IFRS 15 - *Revenue from Contracts with Customers*

## Contract Balances

**Contract assets** represent the Corporation's right to consideration in exchange for services that have already been transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets primarily comprise usage-based royalties from retransmission rights arrangements related to previously satisfied performance obligations. As a copyright owner of radio and TV programming, the Corporation is entitled to revenue from retransmission rights as distant signals are retransmitted in Canada or overseas. The Corporation's right to consideration is dependent upon the tariff set by the Copyright Board of Canada and the Corporation's share within various retransmission rights collectives.

Contract assets are presented under "Trade and Other Receivables" in the Condensed Interim Consolidated Statement of Financial Position. Trade and Other Receivables include \$7.5 million of contract assets as at June 30, 2018 (March 31, 2018 - \$6.5 million). There was no impairment loss in relation to contract assets for the periods considered.

**Contract liabilities** primarily relate to cash payments received in advance of our performance, mostly related to our host broadcasting and program sponsorship revenue streams. Contract liabilities are presented as current liabilities under "Deferred Revenue" in the Condensed Interim Consolidated Statement of Financial Position. Deferred Revenue include \$3.2 million of contract liabilities as at June 30, 2018 (March 31, 2018 - \$1.0 million).

## 11. GOVERNMENT FUNDING

### A. GOVERNMENT FUNDING RECEIVED

Parliamentary appropriations approved and the amounts received by the Corporation are as follows:

	For three months ended June 30	
	2018	2017
Operating funding	271,750	269,000
Capital funding received	27,250	25,000
Working capital funding	1,000	1,000
	<b>300,000</b>	<b>295,000</b>

### B. DEFERRED OPERATING VOTE DRAWDOWN

Parliamentary appropriation for operating expenditures is recognized in the Condensed Interim Consolidated Statement of Income (Loss) based on the net difference between quarterly budgeted expenses and self-generated revenue.

Quarterly budgets are established from the annual budget approved by the Board of Directors at the beginning of each year and reflect expected appropriation funding for the year and seasonal impacts of expenditures and self-generated revenue.

	June 30, 2018	March 31, 2018
Operating funding received during the period	271,750	1,110,262
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Interim Consolidated Statement of Income (Loss) during the period	(257,287)	(1,110,262)
<b>Deferred appropriations for operating expenditures</b>	<b>14,463</b>	<b>-</b>

### C. DEFERRED CAPITAL FUNDING

Capital Funding received is recorded as Deferred Capital Funding in the Condensed Interim Consolidated Statement of Financial Position, with income being recognized in the Condensed Interim Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related property, equipment and intangible assets.

	June 30, 2018	March 31, 2018
Opening balance	531,068	545,234
Government funding for capital expenditures	27,250	107,821
Amortization of deferred capital funding	(23,144)	(93,487)
Release of deferred capital funding related to MRC <sup>1</sup>	-	(28,500)
<b>Balance, end of period</b>	<b>535,174</b>	<b>531,068</b>

<sup>1</sup>Refer to Note 14 Disposal of Maison de Radio-Canada premises of the Corporation's 2018 audited annual financial statements.



## 12. GAIN ON SALE OF SHARES

On May 25, 2017, the Corporation sold its entire interest at \$4.50 a share in its only associate, Sirius XM Canada Holdings (SiriusXM), a satellite radio communications company located and domiciled in Canada which offers a variety of content on a subscription basis across Canada, including 6 channels carrying the Corporation's programming.

The sale generated net proceeds of \$57.6 million and resulted in the recognition of a gain in the Condensed Interim Consolidated Statement of Income (Loss) of the first quarter of 2017-2018 calculated as follows:

### As of May 25, 2017

Net proceeds from sale of shares	57,579
Less: Carrying amount of investment sold	(3,117)
<b>Gain recognized</b>	<b>54,462</b>

The proceeds received from this transaction have been invested in Canada Mortgage Bonds. See Note 9 of the Corporation's 2018 audited annual financial statements.

The Corporation did not incur any contingent liabilities or commitments in relation to its associate.



## 13. MOVEMENTS IN WORKING CAPITAL

For three months ended June 30

	2018	2017
<b>Changes in Working Capital are comprised of:</b>		
Trade and other receivables	43,803	778
Programming asset (current)	(52,706)	(67,113)
Prepaid expenses	(1,774)	477
Accounts payable and accrued liabilities	(47,796)	(15,312)
Provisions	4,757	3,262
Pension plans and employee-related liabilities (current)	37,896	18,756
Programming liability (current)	339	-
Deferred revenues (current)	4,005	(1,336)
	<b>(11,476)</b>	<b>(60,488)</b>

# OTHER

This section discloses the Corporation's information related to financial instruments, related parties and commitments.



## 14. FINANCIAL INSTRUMENTS

### A. FAIR VALUE

The carrying values and fair values of the Corporation's remaining financial assets and financial liabilities are listed in the following table:

	June 30, 2018		March 31, 2018		Method <sup>1</sup>	Note
	Carrying values	Fair values	Carrying values	Fair values		
<i>Financial instruments measured at fair value on a recurring basis:</i>						
Cash	84,844	84,844	95,978	95,978	Level 1	(a)
Derivative financial instruments	431	431	-	-	Level 2	(c)
<b>Financial assets</b>	<b>85,275</b>	<b>85,275</b>	<b>95,978</b>	<b>95,978</b>		
<i>Financial instruments measured at amortized cost:</i>						
Bonds receivable (current)	115,152	114,975	110,712	111,068	Level 2	(b)
Trade and other receivables	161,608	161,608	205,311	205,311	Level 2	(a)
Promissory notes receivable (current)	3,098	3,098	3,448	3,448	Level 2	(a)
Investment in finance lease (current)	3,452	3,452	3,394	3,394	Level 2	(a)
Bonds receivable (non-current)	41,562	41,406	43,373	43,440	Level 2	(b)
Promissory notes receivable (non-current)	33,821	37,560	34,616	38,659	Level 2	(d)
Investment in finance lease (non-current)	36,969	42,332	37,854	43,519	Level 2	(d)
<b>Financial assets</b>	<b>395,662</b>	<b>404,431</b>	<b>438,708</b>	<b>448,839</b>		
Accounts payable and accrued liabilities	70,324	70,324	110,886	110,886	Level 2	(a)
Bonds payable (current)	19,982	19,982	23,624	23,624	Level 2	(a)
Obligations under finance leases (current)	573	573	570	570	Level 2	(a)
Notes payable (current)	8,075	8,075	8,945	8,945	Level 2	(a)
Bonds payable (non-current)	195,869	239,323	204,682	253,557	Level 2	(e)
Obligations under finance leases (non-current)	5,604	5,604	5,745	5,745	Level 2	(e)
Notes payable (non-current)	75,478	81,412	79,329	86,152	Level 2	(e)
<b>Financial liabilities</b>	<b>375,905</b>	<b>425,293</b>	<b>433,781</b>	<b>489,479</b>		

<sup>1</sup>Method refers to the hierarchy levels described in note 2 B of the Corporation's 2018 audited annual financial statements. Each level is based on the availability of observable inputs used to measure the fair values of assets and liabilities.

There have been no transfers between levels during the three months ended June 30, 2018.

- (a) The fair values approximate their carrying value due to the current nature of these instruments.
- (b) The fair values for bonds that trade in markets that are not considered to be active are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.
- (c) The estimated fair value is determined using an option pricing model whose key inputs include the closing price and volatility of the related shares, published Government bond rates and directly observable dividend yields.
- (d) The fair values related to the various amounts receivable were determined using the expected future cash flows and discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflects the credit worthiness of the various counterparties.
- (e) The fair values related to the Corporation's various financial liabilities were determined using the expected future cash flows and were discounted using published Government bond rates with similar terms and characteristics, adjusted by a factor that reflects the Corporation's credit worthiness.

## B. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation records allowances for potential credit losses based on an expected credit loss (ECL) model in accordance with IFRS 9. Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset.

### I) AGE OF TRADE RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	June 30, 2018	March 31, 2018
31 - 60 days	20,146	95,961
61 - 90 days	14,877	19,411
Over 90 days	51,894	8,004
<b>Total</b>	<b>86,917</b>	<b>123,376</b>

### II) MOVEMENT IN ALLOWANCE FOR DOUBTFUL ACCOUNTS

	June 30, 2018	March 31, 2018
Opening balance	(1,106)	(1,240)
Amounts written off during the period as uncollectible	-	689
Impairment losses reversed	-	227
Net increase in allowance for new impairments	216	(782)
<b>Balance, end of period</b>	<b>(890)</b>	<b>(1,106)</b>

### III) BONDS RECEIVABLE

The Corporation holds Canada Mortgage Bonds that carry a determined fixed rate coupon comprised between 1.75% and 2.35% payable twice a year. The Corporation intends to hold these bonds until maturity. During the three months ended June 30, 2018, \$16.7 million have matured, and new bonds were purchased with the proceeds. These government bonds have maturity dates ranging between December 2018 and December 2019. None of these assets had been past due or impaired at the end of the reporting period.



## 15. RELATED PARTIES

The Corporation enters into transactions with related parties in the normal course of business, on normal trade terms applicable to all individuals and enterprises and at market prices. These transactions are recorded at fair value by the Corporation. The following transactions were carried out with related parties:

	For three months ended June 30	
	Rendering of services	
	2018	2017
Associate	-	193
Other related entities <sup>1</sup>	28	28
	<b>28</b>	<b>221</b>

<sup>1</sup> Transactions with other related entities primarily relate to administration services provided to the Corporate Pension Plan.

In addition, cash payments for the Corporation's contributions to the defined benefit plans are disclosed in Note 9 C.

### A. TRANSACTIONS WITH RELATED PARTIES EXCLUDING GOVERNMENT-RELATED ENTITIES

There are no amounts owing to related parties and no amounts owing by related parties at June 30, 2018 (March 31, 2018 – nil). SiriusXM ceased being an associate on May 25, 2017 after the Corporation sold its interest in SiriusXM.

No expense has been recognized in the current or prior periods for bad or doubtful debts with respect of the amounts owed by related parties.

### B. TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

CBC/Radio-Canada is a Federal Crown Corporation that operates in an economic environment dominated by entities directly or indirectly controlled by the federal government through its government authorities, agencies, affiliations and other organizations (collectively referred to as "government-related entities"). The Corporation has transactions with other government-related entities including but not limited to sales and purchases of goods and rendering and receiving of services.

The Corporation has elected to take an exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.



## 16. COMMITMENTS

Commitments are discussed in Note 30 Commitments of the Corporation's 2018 audited annual financial statements. Commitments for the purchase of property and equipment this quarter are disclosed within Note 6 A Property and Equipment of this report. There were no other material changes to commitments during the first quarter of 2018-2019.