2016-2017 Q2 FINANCIAL REPORT

TO:	**Board of Directors**
MEETING:	November 23, 2016
FROM:	Judith Purves, Executive Vice-President and Chief Financial Officer Michael Downey, Executive Director & Corporate Controller
DECISION SOUGHT:	It is resolved that the Audit Committee recommends to the Board of Directors approval to issue the CBC/Radio-Canada financial report for the quarter ended September 30, 2016.
DATE:	November 10, 2016

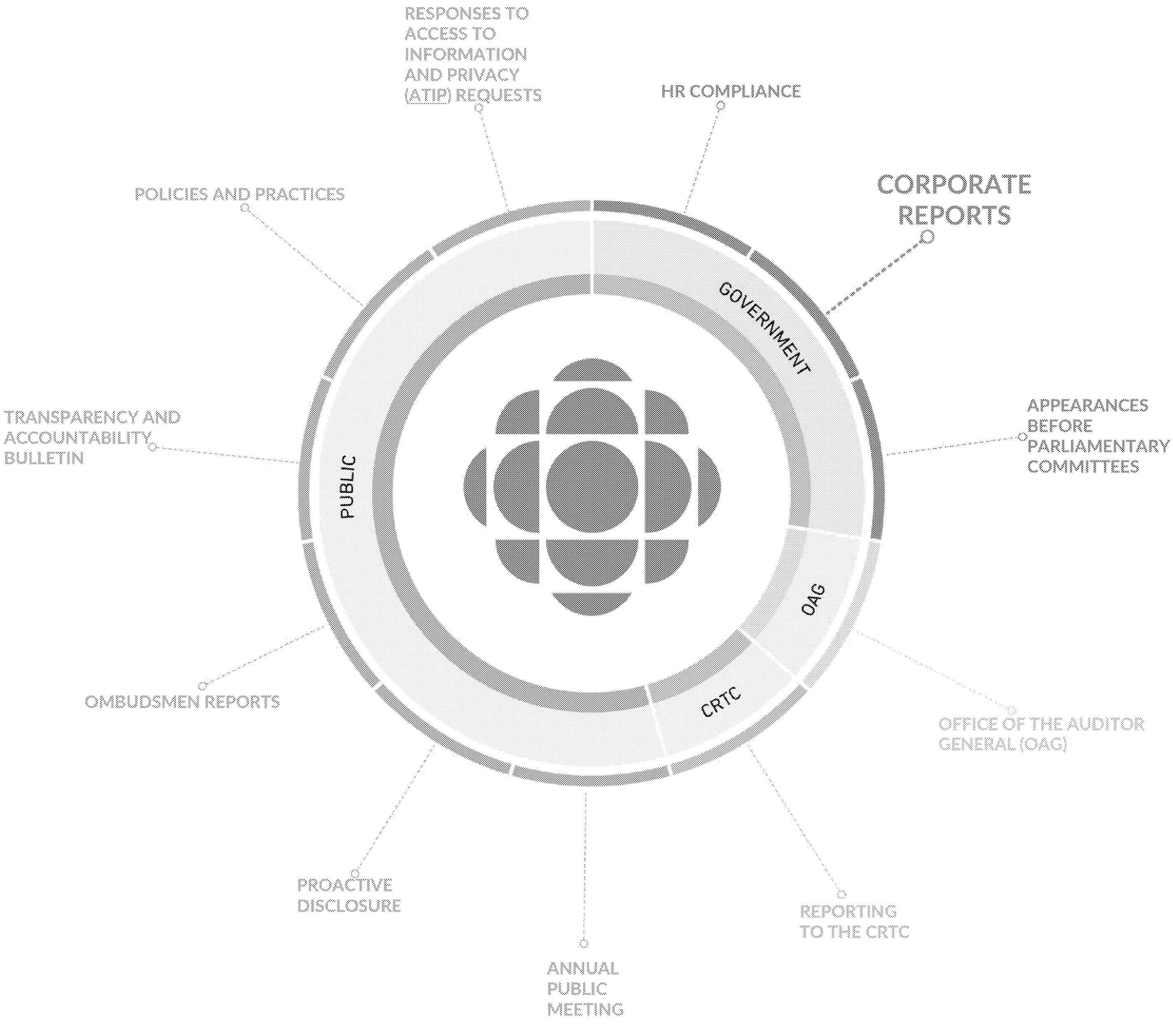
Q2

SECOND QUARTER FINANCIAL REPORT 2016-2017

CBC Radio-Canada

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.



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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 second quarter of 2016-2017, 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 second quarter ended September 30, 2016. We have organized our management's discussion and analysis in the following key sections:

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To help you better understand this management's discussion and analysis, 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 relatively more stable on a quarter-by-quarter basis. Operating expenses also tend to follow a seasonal pattern because they are also influenced by the programming schedule. 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.

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 Discussion of Results section for further details.

FINANCIAL HIGHLIGHTS

SELF-GENERATED REVENUE

2016-2017: $176.8M
2015-2016: $142.4M

TOTAL INCREASE
▲ $34.4M (24.2%)

Our revenue increased by 24.2% this quarter, mainly due to our broadcasting of the Rio 2016 Olympic Games. The Olympics resulted in higher revenue from events of $33.2 million compared with the second quarter of last year when we had revenue from host broadcasting and advertising of the Toronto 2015 Pan Am and Parapan Am Games.

This higher events revenue was partially offset by lower ongoing revenue from the continued weakness in the television advertising market, especially conventional television.

OUR EXPENSES

2016-2017: $430.3M
2015-2016: $374.0M

TOTAL INCREASE
▲ $56.3M (15.1%)

The 15.1% increase in expenses was due to:

- Additional costs for the rights and broadcasting of the Rio 2016 Olympic Games, compared to last year when we incurred costs for host broadcasting services for the Toronto 2015 Pan Am and Parapan Am Games; and
- Ongoing reinvestment in content on several platforms as we launched the fall lineup and worked towards our strategic priorities.

These increases were partially offset by lower costs from our continued cost-reduction initiatives.

GOVERNMENT FUNDING

2016-2017: $256.1M
2015-2016: $242.8M

TOTAL INCREASE
▲ $13.3M (5.5%)

There was a 5.5% increase in government funding recognized during the second quarter of this year as we drew down more funding compared to the same period last year.

Total government appropriations will increase by $75.0 million in 2016-2017 as announced by the government in March 2016.

Changes in revenue, expenses, and the timing of government funding drawdowns as summarized above were the main contributors to a lower gain on a Current Operating Basis of $2.0 million this quarter. This compares with a gain of $18.3 million in the second quarter of last year.

	For the three months ended September 30			For the six months ended September 30		
(in thousands of Canadian dollars)	**2016**	2015	% change	**2016**	2015	% change
Revenue	176,825	142,357	24.2	291,431	260,878	11.7
Expenses	(430,286)	(373,958)	(15.1)	(784,557)	(738,766)	(6.2)
Results before government funding and non-operating items	(253,461)	**(231,601)**	**(9.4)**	(493,126)	**(477,888)**	**(3.2)**
Government funding	256,063	242,790	5.5	479,189	411,953	16.3
Results before non-operating items	2,602	**11,189**	**(76.7)**	(13,937)	**(65,935)**	**78.9**
Net results under IFRS for the period	1,883	**12,294**	**(84.7)**	(16,058)	**(63,760)**	**74.8**
Results on a Current Operating Basis[(1)]	2,018	**18,259**	**(88.9)**	(5,471)	**(34,392)**	**84.1**

[(1)] 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 $1.9 million this quarter, lower than $12.3 million in the same period last year. This is also due to the changes in revenue and expenses, as well as levels of government funding recognized in the current quarter.

BUSINESS HIGHLIGHTS

During the second quarter of this fiscal year, Canadians turned to CBC/Radio-Canada across our many platforms for major events that spoke to the heart of what it means to be Canadian. Here's just a taste of what happened.

CONTENT AND SERVICES

For more detailed metrics, see the "Measuring Our Media Lines" subsection of this report.

Rio 2016 digital content garnered 229 million page views.[2]

CBC/Radio-Canada was the place to be this summer for original content and signature events. As we noted in the first quarterly report, our audiences had access to more content than ever before from the Rio 2016 Olympic Games. More than 32 million Canadians tuned into Rio 2016 Olympic Games coverage on CBC/Radio-Canada platforms and those of our partners RDS, TSN and Sportsnet.[1] Our digital content was also popular, with websites and apps garnering 229 million page views.[2]

During the Rio 2016 Paralympic Games, Canadians had the ability to be engaged like never before. As part of the Canadian Paralympic Broadcast Consortium led by the Canadian Paralympic Committee as the rights holder, CBC/Radio-Canada and partners Sportsnet ONE, AMI-tv & télé, and Facebook Canada provided more than 700 hours of multiplatform coverage, including up to 11 simultaneous live streaming feeds that viewers could choose from via cbcsports.ca/paralympics, and through the CBC Sports app. This meant that any sport venue at which a live feed was being offered by the Rio 2016 host broadcaster could be accessed during their competition. As part of the coverage, we ensured that all marquee events were available in a primetime broadcast. In addition, other members of the Consortium, including Yahoo Sports Canada, SendtoNews, Twitter and Facebook Live all featured Paralympic content, bringing the total amount of multiplatform coverage to more than 1,000 hours.

Almost one in three Canadians tuned into the Tragically Hip show on August 20.

We also answered the call of millions of Canadians who wanted to see the final summer tour show of iconic band The Tragically Hip, but who could not be there in person. On August 20, 11.7 million Canadians tuned in on TV, radio or online, at home or in community events. The show was also streamed 900,000 times nationally and internationally.[3] This was an outstanding example of how the public broadcaster creates bonding experiences for Canadians.

Radio-Canada's television offering garnered positive audience results this summer with shows like *La Petite seduction*, *Déjà Dimanche* and *Viens-tu faire un tour?* consistently performing well in the lineup. CBC's summer comedy offering included the new *Baroness Von Sketch*, which garnered an enthusiastic following online via social media shares and likes, as well as shows *Four in the Morning* and *Follow the Money*. CBC's exclusively digital *My 90 Year Old Roommate* also generated strong buzz. Moving into the fall, ICI Radio-Canada Télé launched their new season with Céline Dion as the guest of *En direct de l'univers*, an episode that garnered 1.3 million viewers.[4] The audience results from the first two weeks of the season are promising: half of the 20 most-watched French-language television programs in the Quebec market were Radio-Canada content.[5] CBC TV's regular season begins a few weeks after Radio-Canada's, and therefore will commence in the third quarter.

Digital creates momentum. This quarter, we launched three CBC radio programs that grew directly from podcasts.

In Radio, CBC announced this August that Tom Power, host of *Radio 2 Mornings* and *Deep Roots*, will take the chair as host of *q*, while Duncan McCue is taking on the host's role at *Cross Country Checkup*. CBC Radio launched the season with a full week of behind-the-scenes content in partnership with Facebook Live, featuring content from more than a dozen radio shows. This quarter also saw the launch of three CBC programs (*Someone Knows Something*, *Back Story* and *Campus*) that grew directly from podcasts, demonstrating the innovation and momentum that digital formats can generate.

Following the federal government's reinvestment in CBC/Radio-Canada, we are already seeing an increased amount of content available to Canadians.

Following the federal government's reinvestment in CBC/Radio-Canada, we are already seeing an increased amount of content available to Canadians. This fall season boasts an additional 12 hours of original content on ICI Radio-Canada Première to replace repeats that have been played on weekday evenings due to budgetary constraints. Likewise, *Méchante Soirée*, entering its third season and produced out of Moncton, will add an additional five episodes to its season, and is also available on ICI Tou.tv and, for the first time, on ICI ARTV.

This quarter also saw Radio-Canada working to boost the variety and authenticity of its voices through a dedicated journalism internship program for indigenous youth to take place in four locations across Quebec that will hopefully result in a permanent addition to staff. Additionally, in September, CBC transitioned all services referencing "Aboriginal" Canadians to the preferred term of reference, "Indigenous".

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[1] Source: Numeris and Adobe Analytics
[2] Source: Adobe Analytics
[3] Source: Numeris and Adobe Analytics
[4] Source: Numeris and Adobe Analytics
[5] Source: Numeris

INFRASTRUCTURE

In October, two electric vehicles were added to the CBC/Radio-Canada fleet in Quebec City. These cars, which run exclusively on electricity thanks to a rechargeable lithium-ion battery, join the four hybrid vehicles currently used in Quebec City, Toronto and Charlottetown.

October also saw the rollout of the first of 13 new satellite news-gathering vehicles that will eventually be put in service for Radio-Canada. The vehicles will be used to gather news in the regions where they are deployed, and also to respond to expected and unexpected news stories that require more extensive deployment of resources. The vehicles will be equipped with a fully HD environment, state-of-the-art editing tools, IP technology and flexible satellite communication systems.

PEOPLE AND CULTURE

At the end of August, Hubert T. Lacroix announced that the Vice-President of People and Culture, Josée Girard, would be leaving CBC/Radio-Canada to pursue another career opportunity, and that Monique Marcotte, who had previously and successfully filled the role on an interim basis, would now occupy the role permanently.

Given the announcement of the upcoming retirement of the Executive Vice-President of French Services, Louis Lalande, a search process for his replacement was launched during the summer. Hubert T. Lacroix announced in early November that the role will be filled by Michel Bissonnette, who will take up his new position on January 9, 2017.

In September, Peter Mansbridge announced that he would be stepping down as host of CBC's *The National* following the Canada Day 2017 celebrations next July. A process is currently underway to redesign *The National*.

Also in September, in keeping with the Corporation's work to prioritize organizational culture, we announced that Diane Girard had been appointed to the role of Commissioner of Values and Ethics.

In October, Sonja Chong confirmed that she would be stepping down from her position on the CBC/Radio-Canada Board of Directors, effective October 31, 2016.

We are continuing negotiations with the Syndicat des communications de Radio-Canada (SCRC). Numerous meetings are scheduled until December 22, 2016. Intensive talks with the Association des réalisateurs (AR) resumed in October 2016 and will continue for several weeks into the fall.

Following 20 days of negotiations, the Association of Professionals and Supervisors (APS) and CBC/Radio-Canada reached a renewed 4-year tentative agreement, with the possibility of a 2-year extension. The results of the ratification vote were announced on November 6: 86% of APS members who cast a vote had accepted the tentative agreement. Mario Poudrier was also reelected as National President of the APS.

OTHER BUSINESS MATTERS

At the end of August, the Canadian Radio-television and Telecommunications Commission (CRTC) denied CBC/Radio-Canada the ability to continue to earn revenue from advertising on its music services: Radio 2 and ICI Musique. The Corporation's public statement on the decision is available on our corporate website.

In mid-September, for the first time in a quarter century, we hosted more than 60 public broadcasters from around the world for the annual Public Broadcasters International (PBI) conference. The overarching topic of discussion was finding ways for public broadcasters to connect with the digital generation.

In connection with the consultation process undertaken by the Minister of Canadian Heritage, launched in September of 2016, CBC/Radio-Canada struck a strategic planning committee to draft a position paper for the Corporation to contribute to the consultation discussions. The aim of this paper is to help the government shape a new consultation framework for strengthening Canadian culture in a digital age. We will make this document publicly available in the fall.

At the end of September, we hosted our Annual Public Meeting in Moncton, New Brunswick. The APM included a panel discussion about the public broadcaster's relevance in the digital age. Our Facebook live event was featured in the newsfeed of 8,200 users, and was viewed by more than 1,900. On site, guests filled the Théâtre l'Escaouette in Moncton and close to 250 people from all over the country and overseas - China, Malaysia and India - followed the live webcast.

The official countdown to Canada's 150th birthday is now in full swing. This quarter has included more than 25 arts and culture events by organizations across the country with activations promoted by CBC/Radio-Canada, official media partner for the countdown - from Fredericton to Winnipeg to Vancouver, getting Canadians excited about the question: What's Your Story?

PERFORMANCE UPDATE

PERFORMANCE MEASUREMENT FRAMEWORK

A central feature of *Strategy 2020* is the establishment of metrics to track and assess our performance. Building on existing measurement tools, CBC/Radio-Canada has developed a streamlined performance measurement framework to assess our strategic plan. This performance measurement framework consists of three separate reports: the Mandate and Vision Perception Survey, the *Strategy 2020* Performance Report (strategic indicators) and the Media Lines Performance Report (operational indicators).

OUR 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 the Corporation's mandate under the 1991 *Broadcasting Act*, as well as measure the performance of our programming with respect to quality, distinctiveness and our ability to reflect and draw Canadians together. The report also includes vision indicators, which present the Corporation's role in fulfilling the vision of *Strategy 2020*. The data are collected via surveys conducted among representative samples of Anglophone and Francophone Canadians.[6]

The 2016-2017 survey results will be available in January, at which point they will be published in our next financial report (Q3). For those interested in looking at the last survey results, they have been published in an interactive dashboard on our corporate website for all Canadians to access.

STRATEGY 2020

The *Strategy 2020* Performance Report is used to ensure we are meeting the corporate-wide objectives of our current strategic plan. We initially established long-term targets we aim to meet by 2020. Each year, we track our progress towards them with short-term annual targets. Nine key indicators are used to measure the building blocks of our current strategy: audience, infrastructure, people and financial sustainability.[7]

The goal of our strategy is to increase our value to all Canadians and to deepen our relationship with them. With this in mind, we selected five indicators for audience success. By 2020, we want:

- Three out of four Canadians to consider one or more of our services to be very personally 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);
- 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); and
- To maintain the level of time Canadians spend with our services, even as competition for Canadians' attention continues to increase (indicator 5).

To support our audience goals, we will need to transform our infrastructure, including reducing our real estate footprint by 50% (indicator 6). We will also need our employees to be more engaged (indicator 7) and to better reflect the diverse society we serve (indicator 8). We are aiming to achieve these objectives while becoming more financially sustainable through cost reductions (indicator 9).

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.

[6] Source: Mission Metrics Survey, TNS Canada (1,000 Anglophones and 1,000 Francophones per survey). Surveys are conducted in November and March each year.
[7] As of 2016-2017, the indicator for Investment Fund (formerly Indicator 10) is no longer relevant due to the government's reinvestment in CBC/Radio-Canada. It will not be included in the *Strategy 2020* Performance Report.

MEASURING OUR *STRATEGY 2020*

The *Strategy 2020* indicators are presented below. Our second quarterly report contains a partial list of Key Performance Indicators (KPIs), as several – indicators 1, 2, 5 and 7 – are not yet available. They are not measured until the fall and will consequently not be presented until our third quarterly report.

At September 30, 2016, our indicators for digital reach (indicator 3), monthly digital interactions (indicator 4) and cost reductions (indicator 9) were trending ahead of last year, and are trending above their targets for 2016-2017. Our digital interactions were further boosted by the success of our coverage of the Rio 2016 Olympic Games in August. Employee diversity (indicator 8) is the only indicator currently trending below target, due to the hiring of fewer external diverse candidates than available in the industry according to the 2011 Canadian census. We saw a similar trend at this stage last year, but ended the fiscal year with an improved result. Reflecting Canada's multicultural and multiracial nature is one of our priorities, and we are continuously working on attracting a diverse workforce.

Indicator	Results 2015-2016	Targets 2016-2017	April 1 to September 30, 2016	Expected Shape of Growth	2020 Targets
Audience/Market					
1. Personal importance to Canadians (% very important)[8]	56.6%	57.6%	N/A		75.0%
2. Information programming has diverse opinions and is objective (% who strongly agree)[8]	56.2%	56.5%	N/A		57.0%
3. Digital reach of CBC/Radio-Canada (million)[9]	14.6	16.5	16.6		18.0
4. Monthly digital interactions with CBC/Radio-Canada (million)[10]	103.8	117.2	127.2		95.0
5. Overall time spent with CBC/Radio-Canada (million hrs/week)[11]	171	177	N/A		173
Infrastructure					
6. Reduce real estate footprint (million of rentable square feet)[12]	3.9	3.9	3.9		2.0
People					
7. Employee engagement (% proud to be associated)[13]	69.0%	74.2%	N/A		90.0%
8. Employee diversity (% of new employees)[14]	18.5%	23.2%	17.1%		23.2%
Financial					
9. Achieve cost reduction target ($ million)	$62.0	$85.1	$87.5		$117.0

N/A = not available or not applicable

2016 Annual Public Meeting in Moncton, NB

[8] Source: Mission Metrics Survey, TNS Canada. This is the percentage of Canadians who give us top marks (8, 9 or 10 on a 10-point scale).
[9] Source: comScore, multiplatform measurement, monthly average unique visitors.
[10] Source: comScore, multiplatform measurement, monthly average visits.
[11] Source: Numeris, time spent with our TV and Radio services; Adobe SiteCatalyst and comScore, time spent with our Internet services.
[12] 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).
[13] Source: Gallup Consulting, Dialogue 2015 Survey. This is the percentage of employees who are proud to be associated with CBC/Radio-Canada. This is measured as the percentage who respond four to five on a scale of one to five in a representative survey of employees.
[14] This metric is made up of three groups: Indigenous Peoples, persons with disabilities and visible minorities. It is calculated as a percentage of new external hires for positions of 13 weeks or more.

MEASURING OUR MEDIA LINES

Our second quarterly report contains a partial list of Key Performance Indicators (KPIs) because many of the principal targets are measured starting in September each year. They are not available for CBC Television, CBC Radio, ICI Radio-Canada Télé, ICI Radio-Canada Première and ICI Musique until the fall and are consequently not presented until our third quarterly report.

FRENCH SERVICES RESULTS

		Results 2015-2016	April 1 to September 30, 2015	Targets 2016-2017	April 1 to September 30, 2016
Television					
ICI RDI, ICI ARTV, ICI EXPLORA	*All-day audience share* [15]	4.7%	4.6%	4.7%	4.9%
Regional					
ICI Radio-Canada.ca regional offering	*Monthly average unique visitors* [16]	0.7 M	0.7 M	N/A[16]	N/A[16]
Digital					
Radio-Canada digital offering	*Monthly average unique visitors* [17]	3.0 M	2.6 M	3.4 M	3.6 M
Specialty Television Channels					
ICI RDI	*Subscribers*	10.7 M	10.9 M	N/A[18]	N/A[18]
ICI ARTV	*Subscribers*	1.8 M	1.8 M	N/A[18]	N/A[18]
ICI EXPLORA	*Subscribers*	0.8 M	0.7 M	N/A[18]	N/A[18]
Revenue[19]					
Conventional, specialty, online		$216 M	$98 M	$201 M	$92 M

N/A = not applicable or not available

Available performance results are currently tracking on or above the annual targets. Here are a few highlights:

Television – Specialty channels are trending to surpass their target. ICI RDI's coverage of major news events such as the Nice terrorist attack, the Rio 2016 Olympic Games (Zika virus, doping, etc.) and the US presidential campaign was a key factor of these results.

Digital – Sports and News and Information content were the main drivers of digital reach during this quarter.

Revenue – Television advertising revenue continues to be under pressure, but total revenue is tracking to achieve the annual target because of strength in subscriber fees and miscellaneous revenue this year.

Viens-tu faire un tour?, ICI Radio-Canada Télé

[15] Source: Numeris, Portable People Meter (PPM), Francophones in Quebec, aged 2 years and older, April to March.
[16] Source: comScore Media Metrix, unique visitors, desktops (aged 2 years and older), April to March. In 2015-2016, the ICI Radio-Canada.ca regional offering measure was desktop only. The comScore measurement basis for 2016-2017 regional digital content is being finalized; target and results will be published once this is confirmed.
[17] Source: comScore Media Metrix, unique visitors, desktops (aged 2 years and older) and mobile devices (aged 18 years and older), April to March. Radio-Canada digital offering: ICI.Radio-Canada.ca, ICI.Tou.tv, ICIMusique.ca, RCInet.ca, ICI.ARTV.ca, ICI.EXPLORAtv.ca.
[18] Not published due to competitive reasons.
[19] Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution).

ENGLISH SERVICES RESULTS

		Results 2015-2016	April 1 to September 30, 2015	Targets 2016-2017	April 1 to September 30, 2016
Television					
CBC News Network	*All-day audience share* [20]	1.7%	1.7%	1.5%	1.6%
Regional					
TV supper news	*Average minute audience* [21]	345 K	N/A[21]	345 K	270 K
CBC.ca regional offering	*Monthly average unique visitors* [22]	4.3 M	4.1 M	N/A[22]	N/A[22]
Digital					
CBC digital offering	*Monthly average unique visitors* [23]	12.4 M	11.4 M	14.1 M	14.7 M
Specialty Television Channels					
CBC News Network	*Subscribers*	11.0 M	11.2 M	N/A[24]	N/A[24]
documentary	*Subscribers*	2.5 M	2.6 M	N/A[24]	N/A[24]
Revenue[25]					
Conventional, specialty, online		$260 M	$135 M	$211 M	$106 M

N/A = not applicable or not available

Available performance results are currently tracking close to or above the annual targets. Below are a few highlights:

Television – CBC News Network's share continues to trend above the annual target, ending the quarter with a boost from the coverage of the royal visit.

Regional – The year-to-date audience for *CBC News at 6* represents only the first four weeks. Performance in the past has increased during the fall season and into the winter season.

Digital – This quarter, the number of monthly average unique visitors continues to outperform both the annual target and prior year results, aided by new programming and resource enhancements, as well as high-profile events such as the Rio 2016 Olympic Games and Tragically Hip concert.

Revenue – Revenue is on track to achieve the annual target. Strength in our digital advertising, better than anticipated subscriber fees, and higher miscellaneous revenue are more than offsetting weakness in the conventional television advertising market.

Tom Power, new host of *q*

[20] Source: Numeris, Portable People Meter (PPM), persons aged 2 years and older, April to March.
[21] Source: Numeris, Portable People Meter (PPM), persons aged 2 years and older, September to March. In 2015-2016, the regular season started in October upon introduction of the new program.
[22] Source: comScore Media Metrix, unique visitors, desktops (aged 2 years and older), April to March. In 2015-2016, the CBC.ca regional offering measure was desktop only. The comScore measurement basis for 2016-2017 regional digital content is being finalized; target and results will be published once this is confirmed.
[23] Source: comScore Media Metrix, unique visitors, desktops (aged 2 years and older) and mobile devices (aged 18 years and older), April to March.
[24] Not published due to competitive reasons.
[25] Includes advertising revenue, subscription revenue and other revenue (e.g. content distribution). Excludes revenue from the Olympics and arrangements with Rogers Communications Inc. for the continued airing of *Hockey Night in Canada* for Saturday night and playoff hockey. Toronto 2015 Pan Am Games revenue included in prior year results reflects joint English and French Services revenue.

CANADIAN CONTENT

Regulatory requirements for Canadian content on television are specified by the CRTC, which sets conditions of license for ICI Radio-Canada Télé and CBC Television. For the whole broadcast day, a minimum of 75% Canadian content is required. For prime time, a minimum of 80% Canadian content is required. Both measures are averages over the entire broadcast year from September 1 to August 31. As shown in the table below, in the current broadcast year and the previous, ICI Radio-Canada Télé and CBC Television significantly 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, 2014 to August 31, 2015	Results September 1, 2015 to August 31, 2016
ICI Radio-Canada Télé				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	82%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	91%	94%
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	92%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	87%	85%

En direct de l'univers, ICI Radio-Canada Télé

DISCUSSION OF RESULTS

RESULTS UNDER IFRS AND ON A CURRENT OPERATING BASIS

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

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Revenue	176,825	142,357	24.2	291,431	260,878	11.7
Expenses	(430,286)	(373,958)	(15.1)	(784,557)	(738,766)	(6.2)
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Government funding	256,063	242,790	5.5	479,189	411,953	16.3
Results before non-operating items	2,602	**11,189**	**(76.7)**	(13,937)	**(65,935)**	**78.9**
Non-operating items	(719)	1,105	N/M	(2,121)	2,175	N/M
Net results under IFRS for the period	1,883	**12,294**	**(84.7)**	(16,058)	**(63,760)**	**74.8**
Items not generating or requiring funds from operations						
Pension and other employee future benefits	11,228	17,786	(36.9)	22,076	35,674	(38.1)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	5,776	5,440	6.2	11,256	10,534	6.9
Other provisions for non-cash items	(16,869)	(17,261)	2.3	(22,745)	(16,840)	(35.1)
Results on a Current Operating Basis[1]	2,018	**18,259**	**(88.9)**	(5,471)	**(34,392)**	**84.1**

N/M = not meaningful

[1] 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 second quarter were a gain of $1.9 million, compared to a gain of $12.3 million in the same quarter last year. On a year-to-date basis, net results under IFRS were a loss of $16.1 million, an improvement of $47.7 million relative to last year. These improved results reflect the combined impacts of higher revenue and government funding, cost-reduction initiatives, and a lower pension expense. These changes more than offset higher event and content expenditures from broadcasting the Rio 2016 Olympic Games and making new investments in our strategic priorities.

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

This quarter, our Results on a Current Operating Basis were a gain of $2.0 million, compared to $18.3 million in the same period last year. This decrease is consistent with lower IFRS results as summarized above. On a year-to-date basis, the loss on a Current Operating Basis was $5.5 million compared to a loss of $34.4 million in the same period last year.

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 revenue that will not generate operating funds within one year. This measure is used regularly by management to help monitor performance and balance the Corporation's budget consistent 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.

REVENUE

(in thousands of Canadian dollars)	For the three months ended September 30 2016	2015	% change	For the six months ended September 30 2016	2015	% change
Advertising						
English Services	72,786	29,980	142.8	98,749	56,668	74.3
French Services	30,870	25,131	22.8	59,004	55,441	6.4
	103,656	55,111	88.1	157,753	112,109	40.7
Subscriber fees						
English Services	17,964	18,520	(3.0)	36,056	36,917	(2.3)
French Services	14,966	15,461	(3.2)	29,986	30,381	(1.3)
	32,930	33,981	(3.1)	66,042	67,298	(1.9)
Financing and other income						
English Services	22,733	37,001	(38.6)	34,697	50,027	(30.6)
French Services	7,151	6,434	11.1	12,193	11,181	9.1
Corporate Services	10,355	9,830	5.3	20,746	20,263	2.4
	40,239	53,265	(24.5)	67,636	81,471	(17.0)
TOTAL	176,825	**142,357**	**24.2**	291,431	**260,878**	**11.7**

Our self-generated revenue increased by $34.5 million (24.2%) in the second quarter of 2016-2017 compared to the same period last year.

ADVERTISING

Our advertising revenue increased by $48.5 million (88.1%) this quarter and by $45.7 million (40.7%) year-to-date due to the following:

EVENTS	ONGOING ACTIVITIES
Higher revenue from events this quarter and on a year-to-date basis as a result of advertising during our broadcast of the Rio 2016 Olympic Games. Last year's quarterly and year-to-date results included advertising revenue from our broadcast of the Toronto 2015 Pan Am and Parapan Am Games.	Our ongoing advertising revenue this quarter and on a year-to-date basis continued to be affected by: • The Canadian TV advertising market. The conventional market was aided somewhat by the Rio Olympics this quarter; however it continues to show declines of 2% over last year (when measured April to August). The conventional market continues to experience weaker audiences in the 25-54 demographic. This demographic is particularly important for media buyers, therefore we are closely monitoring the market and our performance in this area. • To a lesser extent, the CRTC's announcement that we would no longer be allowed to advertise on Radio 2 and ICI Musique. On a year-to-date basis, these decreases were partially offset by higher digital revenue led by the continued strength in programmatic sales (automated sales of digital advertising), particularly in our English markets.

SUBSCRIBER FEES

Our subscriber revenue decreased by $1.1 million (3.1%) this quarter and by $1.3 million (1.9%) when compared to the same periods last year. **CBC News Network**, **ICI ARTV** and **ICI RDI** have seen their subscriber bases decline. The decline is explained by the continuing cord-cutting/cord-shaving trend and the early effects of the skinny basic packages that were introduced following the CRTC's *Let's Talk TV* hearings.

These decreases were partly offset by **ICI Tou.tv EXTRA**'s performance, which saw subscriber revenue increase by 75% this quarter and on a year-to-date basis. This performance, which contrasts with the current industry trends, reflects the success of our strategy to continue making some of our programs exclusively available to our subscribers first, while also developing new offerings.

CANADA'S PUBLIC SPACE

FINANCING AND OTHER INCOME

The decline of over $13 million in Financing and other income this quarter and year-to-date (a decrease of 24.5% and 17.0%, respectively) resulted mostly from the following:

EVENTS	ONGOING ACTIVITIES
Lower income from events this quarter and year-to-date by $19.3 million (78.8%), mainly due to our host broadcasting activities of the Toronto 2015 Pan Am and Parapan Am Games in 2015-2016. This decrease was partially offset by additional licensing revenue generated in 2016-2017 from the Rio 2016 Olympic Games.	Financing and other income arising from ongoing activities increased respectively by $6.2 million (21.9%) and $5.4 million (9.6%) this quarter and on a year-to-date basis due to: • Higher income from programming sales; and • Revenue recognized from a settlement with an affiliate. These increases were partly offset by lower facilities rental income received from independent producers, consistent with Radio-Canada's plan to reduce its production resources.

OPERATING EXPENSES

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Television, radio and digital services costs						
English Services	237,242	196,968	20.4	416,124	383,139	8.6
French Services	167,874	152,004	10.4	317,587	304,426	4.3
	405,116	348,972	16.1	733,711	687,565	6.7
Other operating expenses						
Transmission, distribution and collection costs	16,564	17,021	(2.7)	33,428	34,059	(1.9)
Corporate management	2,339	2,190	6.8	4,899	4,715	3.9
Payments to private stations	211	343	(38.5)	424	934	(54.6)
Finance costs	6,512	6,803	(4.3)	13,332	14,235	(6.3)
Share of results in associate	(456)	(1,371)	66.7	(1,237)	(2,742)	54.9
	25,170	24,986	0.7	50,846	51,201	(0.7)
TOTAL	430,286	373,958	15.1	784,557	738,766	6.2

Our operating expenses increased by $56.3 million (15.1%) in the second quarter of 2016-2017 and by $45.8 million (6.2%) on a year-to-date. The main variances are discussed below.

TELEVISION, RADIO AND DIGITAL SERVICES COSTS

This quarter, TV, radio and digital services costs increased by $56.1 million (16.1%) and by $46.1 million (6.7%) on a year-to-date basis.

EVENTS	ONGOING ACTIVITIES
Expenditures from events increased this quarter and during the first half of this year. Cost of events included the programming rights and production costs to broadcast the Rio 2016 Olympic Games. Last year's cost of events included the costs to broadcast the Toronto 2015 Pan Am and Parapan Am Games.	This quarter and year-to-date, our ongoing operating costs are continuing to benefit from the effect of cost-savings initiatives and a lower pension expense. This is allowing us to invest in new TV and radio content, and to cover additional news events this year. We have also incurred additional promotional expenses for our specialty channels and to support the launch of our fall lineup.

OTHER OPERATING EXPENSES

Other operating expenses increased by $0.2 million (0.7%) during the second quarter and decreased by $0.4 million (0.7%) in the first half of 2016-2017, with main variances highlighted below:

- **Lower payments to private stations** of $0.5 million (54.6%) on a year-to-date basis resulted from the end of our agreement with two affiliate stations in August 2015.
- Our **share of results in associate** decreased this quarter and on a year-to-date basis by $0.9 million (66.7%) and $1.5 million (54.9%) respectively, mostly as we did not receive a regular dividend this quarter due to the pending sale of our investment in SiriusXM Canada Holdings Inc. (SiriusXM). For more details about our investment in associate, see Note 8 of our Condensed Interim Consolidated Financial Statements.

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GOVERNMENT FUNDING

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Parliamentary appropriations for operating expenditures	231,962	218,042	6.4	430,962	362,042	19.0
Parliamentary appropriations for working capital	1,000	1,000	-	2,000	2,000	-
Amortization of deferred capital funding	23,101	23,748	(2.7)	46,227	47,911	(3.5)
TOTAL	256,063	**242,790**	**5.5**	479,189	**411,953**	**16.3**

Parliamentary appropriations for operating expenditures are recognized based on our working capital requirements, according to forecast revenue and expenditures for the period. Parliamentary appropriations for operating expenditures increased by $13.9 million (6.4%) this quarter and $68.9 million (19.0%) in the first half of 2016-2017 compared to the same periods last year. The appropriation recognized in the current quarter is consistent with both the seasonality of our business and historical patterns.

Parliamentary appropriations for operating expenditures are expected to increase by $75.0 million in 2016-2017, following the March 2016 announcement of a reinvestment in CBC/Radio-Canada by the federal government. Salary inflation funding is not yet confirmed for 2016-2017.

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. The decreases of $0.7 million (2.7%) and $1.7 million (3.5%) on a quarterly and year-to-date basis, respectively, reflect the lower value of our asset base as we reduce our real estate footprint and simplify our infrastructure.

NON-OPERATING ITEMS

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Gain (loss) on disposal of property and equipment and intangibles	(719)	1,105	N/M	(2,121)	2,175	N/M
TOTAL	(719)	**1,105**	**N/M**	(2,121)	**2,175**	**N/M**

N/M = not meaningful

The non-operating loss of $0.7 million this quarter was due to the retirement of assets in the regular course of our operations and impairment losses recognized on assets held for sale following a downward revaluation of the estimated fair value of some of these assets. On a year-to-date basis, the non-operating loss for the aforementioned reasons amounts to $2.1M.

Last year, a $2.2 million gain was recognized on a year-to-date basis from the disposal of our mobile production assets and insurance proceeds from a truck destroyed by fire.

TOTAL COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2016	2015	% change	**2016**	2015	% change
Net results for the period	1,883	**12,294**	**(84.7)**	(16,058)	**(63,760)**	**74.8**
Other comprehensive income (loss)						
Remeasurements of defined benefit plans	(101,213)	(46,252)	N/M	(154,683)	135,253	N/M
Total comprehensive income (loss) for the period	(99,330)	**(33,958)**	**N/M**	(170,741)	**71,493**	**N/M**

N/M = not meaningful

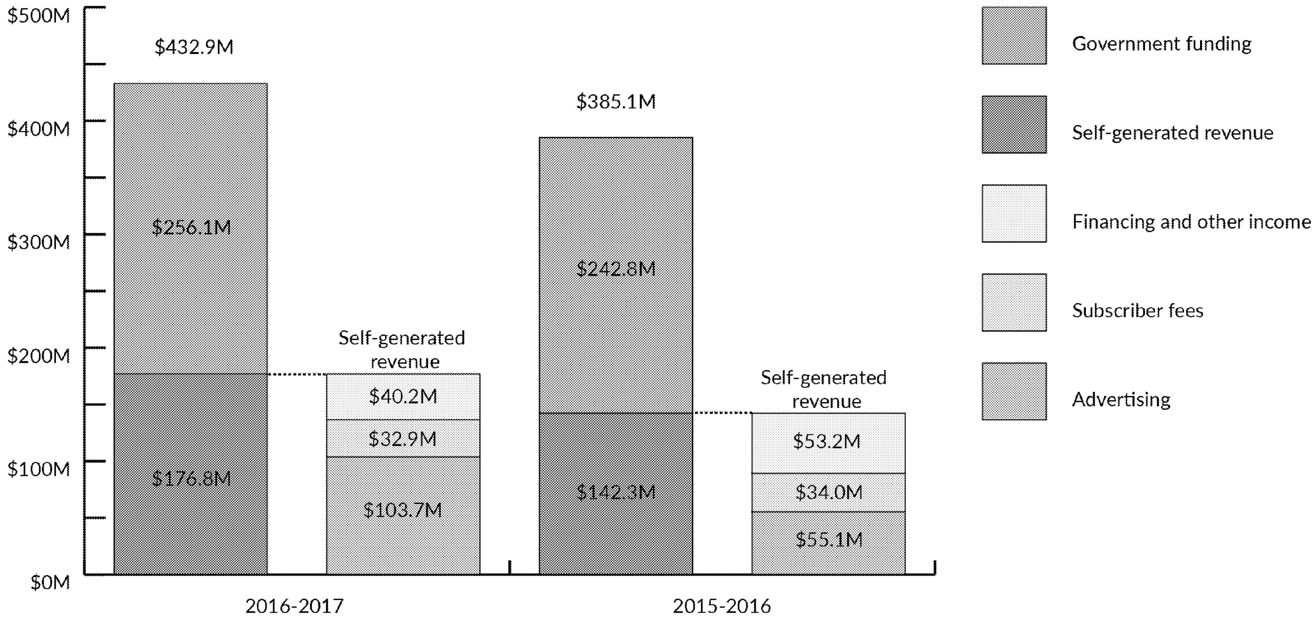
Total comprehensive loss recognized this quarter was $99.3 million, compared to a loss of $34.0 million in the same period last year. In addition to net results, total comprehensive income includes remeasurements of pension plan values. These remeasurements are driven by significant non-cash fluctuations 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 each reporting period.

A loss of $101.2 million was recognized this quarter on remeasurements of defined benefit plans as a result of higher plan obligations due to a 25 basis-points decrease in the discount rate used to value these long-term liabilities. This decrease was partly offset by a higher return on plan assets than estimated as part of our actuarial assumptions. On a year-to-date basis, the discount rate decreased by 50 basis-points, further increasing our plan obligations. This was partially offset by higher returns on plan assets than used in our assumptions, resulting in a $154.7 million loss on remeasurements of defined benefit plans.

CAPITAL RESOURCES, FINANCIAL CONDITION AND LIQUIDITY

CAPITAL RESOURCES

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



Government funding (59% of sources in Q2 of 2016-2017): Government funding of $256.1 million was recognized during the quarter, including $23.1 million of amortization of deferred capital funding. In March 2016, the federal government announced an important reinvestment in CBC/Radio-Canada: an additional $75.0 million in 2016-2017 and $150.0 million per year thereafter on an ongoing basis. Salary inflation funding is not yet confirmed for 2016-2017.

Advertising revenue (24% of sources in Q2 of 2016-2017): This includes both ongoing and events-driven sales of advertising on our conventional channels, specialty television channels and other platforms. Ongoing advertising revenue is decreasing as a proportion of our self-generated revenue and sources of funds as a result of the market shift away from conventional advertising platforms. Advertising revenue driven by events (such as the Rio 2016 Olympic Games in Q2) is non-recurring, but can have a material impact on the Corporation's self-generated revenue.

While not significant relative to our overall advertising revenue, we ceased airing advertisements on CBC Radio 2 and ICI Musique following a CRTC decision no longer allowing us to air limited advertisement on our music services.

Subscriber fees (8% of sources in Q2 of 2016-2017): Fees from our specialty services: CBC News Network, *documentary*, 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 trend 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 (9% of sources in Q2 of 2016-2017): Includes both ongoing and events-driven income from activities such as rental of real estate assets, leasing of space at our transmission sites, host broadcasting, contributions from the Canada Media Fund and program sales.

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. In other words, our assets and liabilities are the assets and liabilities of the Government of Canada.

FINANCIAL CONDITION AND LIQUIDITY

We rely on parliamentary appropriations and the cash generated from our commercial operations to fund our operating activities, including 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 on September 30, 2016, was $97.5 million, compared to $156.5 million on March 31, 2016. Our cash flows from operating, investing and financing activities for the second quarter ended September 30, 2016 are summarized below.

CASH POSITION

	For the three months ended September 30			For the six months ended September 30		
(in thousands of Canadian dollars)	**2016**	2015	% change	**2016**	2015	% change
Cash - beginning of the period	83,948	99,806	(15.9)	156,465	214,884	(27.2)
Changes in the period						
Cash used in operating activities	(2,005)	(5,381)	62.7	(59,028)	(95,486)	38.2
Cash used in financing activities	(3,179)	(3,322)	4.3	(28,613)	(28,645)	0.1
Cash from investing activities	18,711	14,353	30.4	28,651	14,703	94.9
Net change	13,527	**5,650**	**139.4**	(58,990)	**(109,428)**	**46.1**
Cash - end of the period	97,475	**105,456**	**(7.6)**	97,475	**105,456**	**(7.6)**

CASH USED IN OPERATING ACTIVITIES

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

Cash outflows for operating activities in the second quarter of 2016-2017 decreased by $3.4 million (62.7%) compared to the same period last year. Our cash outflows decreased because we drew $13.9 million of additional parliamentary appropriations for operating expenditures relative to the second quarter last year. This increase in drawdowns was partly offset by higher working capital requirements this quarter.

On a year-to-date basis, cash outflows for operating activities were $36.5 million lower (38.2%) in 2016-2017. This change was primarily the result of higher government appropriation drawdowns. In the first half of last year, we delayed government appropriation drawdowns to first use cash on hand.

CASH USED IN FINANCING ACTIVITIES

Cash outflows for financing activities were stable. Cash outflows for financing activities presented above relate primarily to the following:

- interest payments of $0.3 million during the quarter and $12.5 million year-to-date;
- repayments of the Broadcast Centre Trust bonds of $7.1 million year-to-date;
- payments of notes payable of $3.4 million year-to-date; and
- payments to meet obligations under finance leases of $2.8 million during the quarter and $5.6 million year-to-date.

CASH FROM INVESTING ACTIVITIES

Cash from investing activities includes cash from our drawdowns of parliamentary appropriations for capital expenditures.

Investing activities generated cash of $18.7 million this quarter, compared to $14.4 million in 2015-2016. The higher cash inflows during the period were mostly attributable to an additional $3.5 million of drawdowns for capital expenditures.

On a year-to-date basis, cash inflows from investing activities were $14.0 million higher in 2016-2017. The main driver of this increase was additional drawdowns of capital appropriations by $13.5 million this year.

RISK UPDATE

As Canada's national public broadcaster, CBC/Radio-Canada occupies an important place in the Canadian broadcasting system and faces a unique set of risks to its 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, CBC/Radio-Canada also faces unique public expectations and financial challenges.

It is CBC/Radio-Canada 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 items below, there have been no significant changes to our risk profile since year end. Please refer to our 2015-2016 Annual Report for a more detailed assessment of the risks, potential impacts and risk mitigation strategies.

REAL ESTATE REPLACEMENT AND OPTIMIZATION

[NTD: The following paragraphs will be updated following the Nov 23, 2016 Board of Directors meeting.]

The proposals for the last phase of the Maison Radio-Canada redevelopment project in Montreal have been received and analyzed. The sale of the existing building and land has been awarded to [NTD: To be added]. The build of the new Maison Radio-Canada has been awarded to [NTD: To be added]. Both transactions will need to be approved by the Treasury Board.

The sale of our building in Moncton closed on [NTD: To be added]. Our operations in Moncton had moved to a leased facility in January 2015.

UNION RELATIONS AND NEGOTIATIONS

On September 9, 2016, CBC/Radio-Canada and the AR reached an agreement whereby outstanding litigation before the Canada Industrial Relations Board (CIRB) and the Federal Court of Appeal would be withdrawn by both parties. The remaining issues will be dealt with at the negotiation table. Negotiations with the SCRC and AR bargaining units continue.

Bargaining between CBC/Radio-Canada and the APS concluded on June 23, 2016. Following a ratification vote, the parties have successfully achieved a deal.

Electric vehicle from CBC/Radio-Canada's fleet in Quebec City

FINANCIAL REPORTING DISCLOSURE

FUTURE ACCOUNTING STANDARDS

Refer to Note 3 of the Condensed Interim Consolidated Financial Statements for information pertaining to accounting changes effective during 2016-2017 and for information on issued accounting pronouncements that will be effective in future years.

KEY ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS

Discussion and analysis of our financial condition and results of operations are based upon our Condensed Interim Consolidated Financial Statements, which have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. Our key significant accounting estimates and critical judgments are disclosed throughout the notes of our annual consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

INVESTMENTS IN ASSOCIATE

There was no significant change to our equity interest in SiriusXM during the period.

TRANSACTIONS WITH DEFINED BENEFIT PENSION PLANS

We made employer contributions to defined benefit plans as discussed in Note 10. We also provided management and administrative services to our defined benefit pension plans.

STATEMENT OF MANAGEMENT RESPONSIBILITY BY SENIOR OFFICIALS

Management is responsible for the preparation and fair presentation of these consolidated quarterly 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 consolidated quarterly 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 consolidated quarterly financial statements.

Based on our knowledge, these unaudited consolidated quarterly 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 consolidated quarterly financial statements.

Hubert T. Lacroix,

President and Chief Executive Officer

Judith Purves,

Executive Vice-President and
Chief Financial Officer

Ottawa, Canada

November 23, 2016

CONSOLIDATED FINANCIAL STATEMENTS

Second Quarter Financial Report 2016-2017

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In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	NOTE	September 30, 2016	March 31, 2016
ASSETS			
Current			
Cash		97,475	156,465
Trade and other receivables	4	177,200	136,370
Programming	5	308,794	237,827
Merchandising inventory		44	258
Prepaid expenses		33,292	38,568
Promissory notes receivable		2,745	2,651
Investment in finance lease		3,064	2,960
Derivative financial instruments	14	151	151
Assets classified as held for sale	6	2,342	3,483
		625,107	**578,733**
Non-current			
Property and equipment	6	860,940	885,069
Intangible assets	7	28,731	28,757
Assets under finance leases		16,822	20,596
Pension plan asset	10	-	145,406
Programming	5	99,610	107,629
Promissory notes receivable		39,492	40,877
Investment in finance lease		42,861	44,419
Deferred charges		18,209	17,274
Investment in associate	8	2,362	2,496
		1,109,027	**1,292,523**
TOTAL ASSETS		1,734,134	**1,871,256**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		80,019	112,512
Provisions	9	28,453	24,556
Pension plans and employee-related liabilities	10	107,728	121,561
Programming liability		15,151	15,151
Bonds payable		22,589	22,269
Obligations under finance leases		11,885	11,476
Notes payable		8,618	8,523
Deferred revenues		24,913	25,729
Deferred operating vote drawdown	12	71,038	-
Derivative financial instruments	14	14	159
		370,408	**341,936**
Non-current			
Deferred revenue		22,570	32,851
Pension plans and employee-related liabilities	10	273,831	239,651
Programming liability		26,802	33,184
Bonds payable		229,249	236,851
Obligations under finance leases		10,526	16,581
Notes payable		90,298	93,784
Deferred capital funding	12	536,068	531,295
		1,189,344	**1,184,197**
Equity			
Retained earnings		173,874	344,628
Total equity attributable to the Corporation		173,874	**344,628**
Non-controlling interests		508	**495**
TOTAL EQUITY		174,382	**345,123**
TOTAL LIABILITIES AND EQUITY		1,734,134	**1,871,256**

Commitments (NOTE 16)

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

In thousands of Canadian dollars, unless otherwise noted

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

	NOTE	**Three months ended September 30**		**Six months ended September 30**	
		2016	2015	2016	2015
REVENUE	*11*				
Advertising		103,656	55,111	157,753	112,109
Subscriber fees		32,930	33,981	66,042	67,298
Other income		37,925	50,790	62,797	76,238
Financing income		2,314	2,475	4,839	5,233
		176,825	**142,357**	291,431	**260,878**
EXPENSES					
Television, radio and digital services costs		405,116	348,972	733,711	687,565
Transmission, distribution and collection costs		16,564	17,021	33,428	34,059
Corporate management		2,339	2,190	4,899	4,715
Payments to private stations		211	343	424	934
Finance costs		6,512	6,803	13,332	14,235
Share of results in associate	8	(456)	(1,371)	(1,237)	(2,742)
		430,286	**373,958**	784,557	**738,766**
Operating loss before government funding and non-operating items		(253,461)	**(231,601)**	(493,126)	**(477,888)**
GOVERNMENT FUNDING	*12*				
Parliamentary appropriation for operating expenditures		231,962	218,042	430,962	362,042
Parliamentary appropriation for working capital		1,000	1,000	2,000	2,000
Amortization of deferred capital funding		23,101	23,748	46,227	47,911
		256,063	**242,790**	479,189	**411,953**
Results before non-operating items		2,602	**11,189**	(13,937)	**(65,935)**
NON-OPERATING ITEMS					
Gain (loss) on disposal of property and equipment and intangibles		(719)	1,105	(2,121)	2,175
		(719)	**1,105**	(2,121)	**2,175**
Net results for the period		1,883	**12,294**	(16,058)	**(63,760)**
Net results attributable to:					
The Corporation		1,869	12,257	(16,071)	(63,816)
Non-controlling interests		14	37	13	56
		1,883	12,294	(16,058)	(63,760)

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

In thousands of Canadian dollars, unless otherwise noted

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

	NOTE	Three months ended September 30		Six months ended September 30	
		2016	2015	2016	2015
COMPREHENSIVE INCOME (LOSS)					
Net results for the period		1,883	12,294	(16,058)	(63,760)
Other comprehensive income (loss) - not subsequently reclassified to net results					
Remeasurements of defined benefit plans	10	(101,213)	(46,252)	(154,683)	135,253
Total comprehensive income (loss) for the period		(99,330)	**(33,958)**	(170,741)	**71,493**
Total comprehensive income (loss) attributable to:					
The Corporation		(99,344)	(33,995)	(170,754)	71,437
Non-controlling interests		14	37	13	56
		(99,330)	**(33,958)**	(170,741)	**71,493**

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

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	NOTE	Three months ended September 30, 2016 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2016		273,218	495	273,713
Changes in the period				
Net results for the period		1,869	14	1,883
Remeasurements of defined benefit plans	10	(101,213)	-	(101,213)
Total comprehensive income (loss) for the period		**(99,344)**	**14**	**(99,330)**
Distributions to non-controlling interests		**-**	**(1)**	**(1)**
Balance as at September 30, 2016		**173,874**	**508**	**174,382**

	NOTE	Three months ended September 30, 2015 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at June 30, 2015		481,408	560	481,968
Changes in the period				
Net results for the period		12,257	37	12,294
Remeasurements of defined benefit plans	10	(46,252)	-	(46,252)
Total comprehensive income (loss) for the period		**(33,995)**	**37**	**(33,958)**
Distributions to non-controlling interests		**-**	**(146)**	**(146)**
Balance as at September 30, 2015		**447,413**	**451**	**447,864**

	NOTE	Six months ended September 30, 2016 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2016		344,628	495	345,123
Changes in the period				
Net results for the period		(16,071)	13	(16,058)
Remeasurements of defined benefit plans	10	(154,683)	-	(154,683)
Total comprehensive income (loss) for the period		**(170,754)**	**13**	**(170,741)**
Distributions to non-controlling interests		**-**	**-**	**-**
Balance as at September 30, 2016		**173,874**	**508**	**174,382**

	NOTE	Six months ended September 30, 2015 Retained earnings and total equity attributable to the Corporation	Non-controlling interests	Total
Balance as at March 31, 2015		375,976	541	376,517
Changes in the period				
Net results for the period		(63,816)	56	(63,760)
Remeasurements of defined benefit plans	10	135,253	-	135,253
Total comprehensive income (loss) for the period		**71,437**	**56**	**71,493**
Distributions to non-controlling interests		**-**	**(146)**	**(146)**
Balance as at September 30, 2015		**447,413**	**451**	**447,864**

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

In thousands of Canadian dollars, unless otherwise noted

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	NOTE	Three months ended September 30		Six months ended September 30	
		2016	2015	2016	2015
CASH FLOWS (USED IN) FROM					
OPERATING ACTIVITIES					
Net results for the period		1,883	12,294	(16,058)	(63,760)
Adjustments for:					
(Gain) loss on disposal of property and equipment and intangibles	6, 7	719	(1,105)	2,121	(2,175)
Financing income		(2,314)	(2,475)	(4,839)	(5,233)
Finance costs		6,512	6,803	13,332	14,235
Change in fair value of financial instruments designated at fair value through profit and loss	14	(164)	(412)	(145)	(226)
Depreciation of property and equipment	6	25,136	25,758	50,403	51,547
Amortization of intangible assets	7	1,587	1,695	3,178	3,331
Depreciation of assets under finance leases		1,898	1,899	3,774	3,797
Share of results in associate	8	(456)	(1,371)	(1,237)	(2,742)
Change in deferred charges		88	209	(935)	556
Change in programming asset [non-current]	5	3,269	44,939	9,011	51,038
Change in programming liability [non-current]	5	(2,375)	(1,579)	(6,922)	(6,814)
Amortization of deferred capital funding	12	(23,101)	(23,748)	(46,227)	(47,911)
Change in deferred appropriations for operating expenditures	12	71,038	18,458	71,038	18,458
Change in deferred revenues [non-current]		(4,442)	(5,181)	(10,778)	(12,020)
Change in pension plan asset [non-current]	10	84,007	66,081	145,406	(86,819)
Change in pension plans and employee-related liabilities [current]	10	(5,582)	(7,512)	2,916	2,505
Change in pension plans and employee-related liabilities [non-current]	10	(73,246)	(48,302)	(120,503)	122,480
Accretion of promissory notes receivable		(6)	(5)	(11)	(10)
Movements in working capital	13	(86,456)	(91,827)	(152,552)	(135,723)
		(2,005)	**(5,381)**	(59,028)	**(95,486)**
FINANCING ACTIVITIES					
Repayment of obligations under finance leases		(2,846)	(2,663)	(5,645)	(5,211)
Repayment of bonds		-	-	(7,060)	(6,557)
Repayment of notes		-	-	(3,367)	(3,214)
Distributions to non-controlling interests		(1)	(146)	-	(146)
Interest paid		(332)	(513)	(12,541)	(13,517)
		(3,179)	**(3,322)**	(28,613)	**(28,645)**
INVESTING ACTIVITIES					
Parliamentary appropriations for capital funding	12	31,000	27,501	51,000	37,501
Additions to property and equipment	6	(13,186)	(18,093)	(25,180)	(36,351)
Additions to intangible assets	7	(2,615)	(2,752)	(5,531)	(6,437)
Net proceeds from disposal of property and equipment		209	2,946	305	10,274
Collection of promissory notes receivable		650	605	1,289	1,202
Collection of finance leases receivable		690	643	1,367	1,274
Dividends received	8	-	1,371	1,371	2,742
Interest received		1,963	2,132	4,030	4,498
		18,711	**14,353**	28,651	**14,703**
Change in cash		13,527	**5,650**	(58,990)	**(109,428)**
Cash, beginning of the period		83,948	**99,806**	156,465	**214,884**
Cash, end of the period		97,475	**105,456**	97,475	**105,456**

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2016 (UNAUDITED)

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 the *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 November 23, 2016.

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 latest complete set of audited annual consolidated financial statements for the year ended March 31, 2016. Accordingly, they should be read in conjunction with the audited annual consolidated financial statements for the year then ended.

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

The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the Corporation's audited annual consolidated financial statements, except for the application of new standards, amendments and interpretations effective for the Corporation's year end beginning on April 1, 2016. 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 more stable on a quarter-by-quarter basis. Operating expenses tend also 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.

There have been no changes made to the Corporation's key estimates or critical judgments since the Corporation's last audited annual consolidated financial statements at March 31, 2016.

In thousands of Canadian dollars, unless otherwise noted

3. NEW AND FUTURE CHANGES IN ACCOUNTING POLICIES

A. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new pronouncement issued by the IASB was adopted by the Corporation effective April 1, 2016.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
Amendments to IAS 1 *Presentation of financial statements - Disclosure initiative*	Issued to improve the effectiveness of presentation and disclosure in financial statements, with the objective of reducing immaterial note disclosures.	No material impact from adopting this standard.	January 1, 2016, applied prospectively.

B. FUTURE ACCOUNTING CHANGES

The IASB has issued the following new standards and amendments to existing standards that were not yet effective and not applied as at September 30, 2016, which could potentially impact the consolidated financial statements of the Corporation issued in a future period. The Corporation does not anticipate early adoption of these standards at this time.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 9 *Financial Instruments*	Issued to replace IAS 39 *Financial instruments: recognition and measurement* and all previous versions of IFRS 9. Classification, measurement and disclosure of financial instruments based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets and liabilities. Includes a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	The adoption of IFRS 9 is not expected to result in any significant change in the classification and measurement of the Corporation's financial instruments. The Corporation is currently assessing the impact the new impairment model will have on its processes and financial statements, most notably in relation to assessing impairment on trade receivables.	January 1, 2018, applied retrospectively with certain exceptions.
IFRS 15 *Revenue from Contracts with Customers* and Clarification to IFRS 15 *Revenue from Contracts with Customers*	Issued to replace IAS 18 *Revenues* and IAS 11 *Construction contracts* and the related Interpretations when it becomes effective. It provides guidance on the recognition of revenue from contracts with customers, including multiple-element arrangements and transactions not previously addressed comprehensively, and enhanced disclosures about revenue. Revenue under the new standard will be recognized when an entity transfers goods or services to a customer based upon the amount of consideration to which the entity expects to be entitled to from the customer. Goods or services will be transferred when the customer has control of them. Extensive new qualitative and quantitative disclosures are designed to help users of financial statements understand the nature, amount, timing and uncertainty of revenue.	The Corporation has completed its assessment of the main accounting impacts by significant revenue stream and will begin quantifying impacts to assess materiality in early 2017.	January 1, 2018, applied retrospectively, with certain practical expedients available.
IFRS 16 *Leases*	Supersedes IAS 17 *Leases* and related Interpretations. Eliminates the classification of leases as either operating or finance leases for a lessee as all leases are treated in a similar way to finance leases when applying IAS 17. Expected increase in leased assets and financial liabilities. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.	The Corporation is commencing a review of the standard to determine the potential impacts.	January 1, 2019, applied retrospectively, with certain practical expedients available.
Amendments to IAS 7 *Statement of Cash Flows*	Issued to require a reconciliation of the opening and closing financial position for each item for which cash flows have been, or would be, classified as financing activities, excluding equity items.	The Corporation does not expect any significant impact from adopting this standard.	January 1, 2017, applied prospectively.

In thousands of Canadian dollars, unless otherwise noted

4. TRADE AND OTHER RECEIVABLES

	September 30, 2016	March 31, 2016
Trade receivables	163,298	123,121
Allowance for doubtful accounts	(199)	(2,058)
Other	14,101	15,307
	177,200	**136,370**

Trade receivables disclosed above include amounts (see table A below) that are past due at the end of the reporting period for which the Corporation has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The increase in trade receivables since March 31, 2016 is mostly due to higher advertising receivables related to the Rio 2016 Olympics Games in August 2016 that are not yet collected.

A. AGE OF TRADE RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	September 30, 2016	March 31, 2016
31 - 60 days	66,836	35,314
61 - 90 days	12,724	673
Over 90 days	9,514	13,874
Total	89,074	**49,861**

B. MOVEMENT IN ALLOWANCE FOR DOUBTFUL ACCOUNTS

	September 30, 2016	March 31, 2016
Opening balance	(2,058)	(2,683)
Amounts written off during the period as uncollectible	1,727	571
Impairment losses reversed	152	1,113
Net increase in allowance for new impairments	(20)	(1,059)
Balance, end of the period	(199)	**(2,058)**

5. PROGRAMMING

A. PROGRAMMING BY CATEGORY

	September 30, 2016	March 31, 2016
Completed programs	73,213	61,076
Programs in process of production	167,299	63,524
Broadcast rights available for broadcast within the next twelve months	68,282	113,227
	308,794	**237,827**
Broadcast rights not available for broadcast within the next twelve months	99,610	107,629
	408,404	**345,456**

B. MOVEMENT IN PROGRAMMING

	September 30, 2016	March 31, 2016
Opening balance	345,456	310,290
Additions	568,210	990,842
Programs broadcast	(505,262)	(955,676)
Balance, end of the period	408,404	**345,456**

The programming write-offs included in the Programs broadcast line in the above table for the three and six months ended September 30, 2016, amount to $0.4 million (2015 – $0.5 million) and $0.6 million (2015 - $0.8 million). Programming write-offs are mainly due to terminated projects, programming not suitable for telecast or pilots not progressing into a series.

In thousands of Canadian dollars, unless otherwise noted

6. PROPERTY AND EQUIPMENT

A. COST AND ACCUMULATED DEPRECIATION

	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	Total
Cost as at March 31, 2016	174,306	555,422	63,878	1,075,623	147,203	39,970	2,056,402
Additions	-	12	-	4,982	2,088	18,098	25,180
Transfers (refer to Note 7)	-	2,718	343	18,284	5,380	(24,348)	2,377
Assets classified as held for sale	(16)	(204)	-	-	-	-	(220)
Disposals and write-offs	5	(1,143)	-	(19,087)	(3,085)	(30)	(23,340)
Cost as at September 30, 2016	**174,295**	**556,805**	**64,221**	**1,079,802**	**151,586**	**33,690**	2,060,399
Accumulated depreciation as at March 31, 2016	-	(234,131)	(32,799)	(796,491)	(107,912)	-	(1,171,333)
Depreciation for the period	-	(15,514)	(1,865)	(27,128)	(5,896)	-	(50,403)
Reclassification of depreciation on assets classified as held for sale	-	205	-	-	-	-	205
Reclassification of depreciation on disposals and write-offs	-	937	-	18,125	3,010	-	22,072
Accumulated depreciation as at September 30, 2016	**-**	**(248,503)**	**(34,664)**	**(805,494)**	**(110,798)**	**-**	(1,199,459)
Net carrying amount as at September 30, 2016	**174,295**	**308,302**	**29,557**	**274,308**	**40,788**	**33,690**	860,940

	Land	Buildings	Leasehold improvements	Technical equipment	Other	Uncompleted capital projects	**Total**
Cost as at March 31, 2015	174,552	553,585	53,253	1,129,557	139,591	42,034	**2,092,572**
Additions	-	10	-	11,390	4,998	76,240	**92,638**
Transfers (refer to Note 7)	6	14,237	10,625	46,746	11,588	(78,304)	**4,898**
Assets classified as held for sale	(257)	(5,472)	-	-	-	-	**(5,729)**
Disposals and write-offs	5	(6,938)	-	(112,070)	(8,974)	-	**(127,977)**
Cost as at March 31, 2016	**174,306**	**555,422**	**63,878**	**1,075,623**	**147,203**	**39,970**	**2,056,402**
Accumulated depreciation as at March 31, 2015	-	(209,726)	(28,864)	(847,406)	(103,824)	-	**(1,189,820)**
Depreciation for the year	-	(30,461)	(3,935)	(56,097)	(11,749)	-	**(102,242)**
Reclassification of depreciation on assets classified as held for sale	-	2,790	-	-	-	-	**2,790**
Reclassification of depreciation on disposalsand write-offs	-	3,266	-	107,012	7,661	-	**117,939**
Accumulated depreciation as at March 31, 2016	**-**	**(234,131)**	**(32,799)**	**(796,491)**	**(107,912)**	**-**	**(1,171,333)**
Net carrying amount as at March 31, 2016	**174,306**	**321,291**	**31,079**	**279,132**	**39,291**	**39,970**	**885,069**

The contractual commitments for the acquisition of property and equipment are $46.7 million as at September 30, 2016 (March 31, 2016 – $21.0 million).

B. IMPAIRMENT AND OTHER CHARGES

For the three and six months ended September 30, 2016, the Corporation recorded an impairment loss of $0.3M (2015 – nil) and $1.2M (2015 – nil) in its Condensed Consolidated Statement of Income (Loss) on certain assets held for sale. There were no impairment losses reversed during the three and six months ended September 30, 2016 (2015 – 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 September 30, 2016 that have a total carrying value of $2.3 million (March 31, 2016 – $3.5 million). These properties are expected to be sold on a site by site basis over the next twelve months.

In thousands of Canadian dollars, unless otherwise noted

D. DISPOSALS

There were no significant disposals during the second quarter of 2016-2017.

Other net gains and losses during the three months ended September 30, 2016 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
Cost as at March 31, 2016	140,760	32,191	12,903	185,854
Additions	-	229	5,302	5,531
Transfers (refer to Note 6)	557	1,918	(4,852)	(2,377)
Disposals and write-offs	-	(46)	-	(46)
Cost as at September 30, 2016	**141,317**	**34,292**	**13,353**	188,962
Accumulated amortization as at March 31, 2016	(137,827)	(19,270)	-	(157,097)
Amortization for the period	(668)	(2,510)	-	(3,178)
Reclassification of amortization on disposals and write-offs	-	44	-	44
Accumulated amortization as at September 30, 2016	**(138,495)**	**(21,736)**	**-**	(160,231)
Net carrying amount as at September 30, 2016	**2,822**	**12,556**	**13,353**	28,731

	Internally developed software	Acquired software	Uncompleted capital projects	**Total**
Cost as at March 31, 2015	140,594	26,602	9,499	**176,695**
Additions	-	251	14,902	**15,153**
Transfers (refer to Note 6)	681	5,919	(11,498)	**(4,898)**
Disposals and write-offs	(515)	(581)	-	**(1,096)**
Cost as at March 31, 2016	**140,760**	**32,191**	**12,903**	**185,854**
Accumulated amortization as at March 31, 2015	(137,090)	(14,281)	-	**(151,371)**
Amortization for the year	(1,252)	(5,132)	-	**(6,384)**
Reclassification of amortization on disposals and write-offs	515	143	-	**658**
Accumulated amortization as at March 31, 2016	**(137,827)**	**(19,270)**	**-**	**(157,097)**
Net carrying amount as at March 31, 2016	**2,933**	**12,921**	**12,903**	**28,757**

There were no impairment losses recorded or reversed during the three and six months ended September 30, 2016 (2015 – nil).

In thousands of Canadian dollars, unless otherwise noted

8. INVESTMENT IN ASSOCIATE

Sirius XM Canada Holdings Inc. (SiriusXM), a corporation located and domiciled in Canada, is a satellite radio communications company offering a variety of content on a subscription basis across Canada, including 6 channels carrying the Corporation's programming.

SiriusXM's fiscal year end is August 31, which differs from that of the Corporation. IAS 28, *Investments in Associates and Joint Ventures*, limits the difference between the end of the reporting period of an associate and that of the investor to no more than three months. As such, the Corporation has included its portion of the interim results of SiriusXM for the period up to August 31, 2016, which falls within the allowed three month window. This corresponds to the latest information available for SiriusXM that can be disclosed publicly. IAS 28 also requires an adjustment to results for any significant transactions that occur during the intervening period. No such adjustments were necessary for the quarter ended September 30, 2016 (2015 – nil).

The equity-accounted investee information as at September 30 is summarized in the table below:

	Ownership interest held (1)		Voting interest held		Quoted Fair Value (2)		Carrying amount		Dividends declared (3)	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	September 30, 2015
SiriusXM	10.15%	10.15%	9.63%	9.64%	$62.2M	$60.5M	2,362	2,496	$1.4M	$2.7M

(1) As at September 30, 2016, the Corporation held 13,056,787 Class A Subordinate Voting Shares in SiriusXM.

(2) The quoted market value (fair value) was based on unadjusted quoted prices in active markets (Level 1).

(3) SiriusXM has a policy to pay dividends on a quarterly basis, as well as to issue special dividends at their discretion. For the three and six months ended September 30, 2016, there was no receipt of special dividends (2015: nil).

A reconciliation of the summarized financial information above to the carrying amounts of SiriusXM recorded on the Condensed Interim Consolidated Statement of Financial Position is as follows:

	September 30, 2016	March 31, 2016
Opening balance	2,496	-
Share of results in associate[1]	1,237	7,980
Dividends received[1]	(1,371)	(5,484)
Balance, end of the period	2,362	**2,496**

[1] Total dividends received during the three and six months ended September 30, 2016 amounted to nil (2015 - $1.4 million) and $1.4 million (2015 - $2.7 million). For the six months ended September 30, 2016, an equity pick-up of $1.2M was recorded and the dividends received of $1.4M reduced the investment carrying value to $2.4M. For the six months ended September 30, 2015, the excess of dividends received over the investment carrying value of $2.7M was recognized in net results under Share of results in associate.

SiriusXM has no discontinued operations. There are no significant restrictions imposed on SiriusXM relating to their ability to transfer funds to their investors.

The Corporation has not incurred any contingent liabilities or commitments in relation to its associate.

On May 13, 2016, CBC/Radio-Canada announced its intention to sell its shares by voting in favour of the privatization and recapitalization transaction undertaken by its associate, Sirius XM. The transaction would involve the sale of the Corporation's 10.15% economic interest at $4.50 a share, for expected proceeds of approximately $58 million. The completion of the transaction is expected to take place in 2016-2017, subject to certain regulatory and CRTC approvals. There have been no changes to the terms of this transaction at the date of this report.

In thousands of Canadian dollars, unless otherwise noted

9. PROVISIONS

	Claims and legal proceedings	Environmental	Restructuring costs Termination benefits	Total
Opening balance	24,196	343	17	24,556
Additional provisions recognized	6,600	128	360	7,088
Provisions utilized	(2,222)	-	-	(2,222)
Reductions resulting from remeasurement or settlement without cost	(952)	-	(17)	(969)
Balance, end of the period	**27,622**	**471**	360	**28,453**

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 September 30, 2016, the Corporation had provisions amounting to $27.6 million (March 31, 2016 – $24.2 million) in respect of legal claims. All matters are classified as current as, where estimable, the Corporation is working to resolve these matters within 12 months.

10. 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	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Pension plan asset	-	-	-	**145,406**
Pension plan liability	-	-	133,701	102,739
Other post-employment plans	-	-	140,065	136,833
Vacation pay	50,955	55,056	-	-
Termination benefits	10,499	17,310	-	-
Salary-related liabilities	46,274	49,195	65	79
Total pension plan and employee-related liabilties	107,728	**121,561**	273,831	**239,651**

	September 30, 2016			March 31, 2016		
	Funded pension plan	Unfunded pension plans	Other post-employment plans	Funded pension plan	Unfunded pension plans	Other post-employment plans
Fair value of plan assets	6,836,045	-	-	6,456,327	-	-
Defined benefit obligation	6,859,101	110,645	140,065	6,310,921	102,739	136,833
Net (liability) asset arising from defined benefit obligation	(23,056)	(110,645)	(140,065)	**145,406**	**(102,739)**	**(136,833)**

In thousands of Canadian dollars, unless otherwise noted

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS

As disclosed in Note 15 Pension Plans and Employee-Related Liabilities of the Corporation's annual consolidated financial statements for the year ended March 31, 2016, at each reporting period end the Corporation reviews its actuarial assumptions 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 one-off 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.

Assumptions – annual rates	September 30, 2016	March 31, 2016
Assumptions for the calculation of pension benefit costs:		
Discount rate	3.75%	3.50%
Assumptions for the calculation of the benefit obligation:		
Discount rate - pension	3.25%	3.75%
Discount rate - long service gratuity	2.50%	3.00%
Discount rate - LTD benefit	2.50%	3.00%
Discount rate - life insurance	3.25%	3.75%

C. TOTAL CASH PAYMENTS

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

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Benefits paid directly to beneficiaries	3,224	2,942	6,448	5,884
Employer regular contributions to pension benefit plans	16,139	13,835	28,893	27,566
Total cash payments for defined benefit plans	19,363	**16,777**	35,341	**33,450**

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

	September 30, 2016		March 31, 2016	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening defined benefit obligation	6,413,660	136,833	6,565,275	140,339
Current service cost	52,784	2,290	125,661	5,564
Interest cost	118,802	1,970	227,795	4,049
Contributions from employees	24,912	-	46,064	-
Remeasurements:				
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	-	(627)
Actuarial losses (gains) arising from changes in financial assumptions	506,755	5,420	(271,327)	(3,748)
Actuarial losses (gains) arising from experience adjustments	718	-	21,888	4,165
Benefits paid	(147,885)	(6,448)	(301,696)	(12,909)
Closing defined benefit obligation	6,969,746	140,065	**6,413,660**	**136,833**

In thousands of Canadian dollars, unless otherwise noted

E. MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS

	September 30, 2016		March 31, 2016	
	Pension plans	Other post-employment plans	Pension plans	Other post-employment plans
Opening fair value of plan assets	6,456,327	-	6,648,816	-
Administration fees (other than investment management fees)	(3,246)	-	(6,160)	-
Interest income on plan assets	119,098	-	229,510	-
Return on plan assets, excluding interest income	357,946	-	(216,370)	-
Contributions from employees	24,912	-	46,064	-
Contributions from the Corporation	28,893	6,448	56,163	12,909
Benefits paid	(147,885)	(6,448)	(301,696)	(12,909)
Closing fair value of plan assets	6,836,045	-	**6,456,327**	-

F. DEFINED BENEFIT PLAN COSTS

Amounts recognized in comprehensive income (loss)

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Current service cost	27,537	32,661	55,074	65,322
Administration fees (other than investment management fees)	1,623	1,540	3,246	3,080
Interest cost on defined benefit obligation	60,386	57,902	120,772	115,804
Interest income on plan assets	(59,549)	(57,378)	(119,098)	(114,756)
Other	134	(162)	264	(326)
Expense recognized in net results	30,131	34,563	60,258	69,124
Remeasurements recognized in other comprehensive (income) loss	101,213	46,252	154,683	(135,253)
Total	131,344	**80,815**	214,941	**(66,129)**

Retained earnings include $245.4 million of cumulative actuarial gains as at September 30, 2016 (March 31, 2016 gains – $400.1 million).

Expense recognized in net results

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Television, radio and digital services costs	28,926	33,181	57,848	66,359
Transmission, distribution and collection costs	904	1,037	1,808	2,074
Corporate management	301	345	602	691
Total	30,131	**34,563**	60,258	**69,124**

In thousands of Canadian dollars, unless otherwise noted

11. REVENUE

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Advertising	103,656	55,111	157,753	112,109
Subscriber fees	32,930	33,981	66,042	67,298
Building, tower, facility and service rentals	10,498	11,349	20,536	21,460
Production revenue	9,851	31,445	14,188	34,166
Digital programming	9,328	3,838	12,557	8,693
Retransmission rights	752	751	1,503	1,501
Program sponsorship	2,497	1,914	2,907	2,393
Other services	1,551	338	2,263	1,145
Total Rendering of services	171,063	**138,727**	277,749	**248,765**
Total Financing income	2,314	**2,475**	4,839	**5,233**
Reciprocal trade revenues other than advertising	3,201	1,157	8,479	6,623
Foreign exchange gain (loss)	78	(420)	208	20
Net gain from the change in fair value of financial instruments	169	418	156	237
Total Revenue	176,825	**142,357**	291,431	**260,878**

12. GOVERNMENT FUNDING

A. GOVERNMENT FUNDING RECEIVED

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

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Operating funding	303,000	236,500	502,000	380,500
Capital funding received	31,000	27,501	51,000	37,501
Working capital funding	1,000	1,000	2,000	2,000
	335,000	**265,001**	555,000	**420,001**

Government funding approved and received by the Corporation during the quarter is recorded as follows in the condensed interim consolidated financial statements.

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.

B. DEFERRED OPERATING VOTE DRAWDOWN

	September 30, 2016	March 31, 2016
Operating funding received during period	502,000	928,332
Less: Parliamentary appropriation for operating expenditures recognized in the Condensed Interim Consolidated Statement of Income (Loss) during period	(430,962)	(928,332)
Deferred appropriations for operating expenditures	71,038	-

In thousands of Canadian dollars, unless otherwise noted

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.

	September 30, 2016	March 31, 2016
Opening balance	531,295	520,200
Government funding for capital expenditures	51,000	105,692
Amortization of deferred capital funding	(46,227)	(94,597)
Balance, end of the period	536,068	**531,295**

13. MOVEMENTS IN WORKING CAPITAL

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Changes in Working Capital are comprised of:				
Trade and other receivables	(50,146)	1,447	(40,905)	25,526
Programming asset (current)	(6,138)	(75,994)	(70,967)	(119,297)
Merchandising inventory	-	31	214	17
Prepaid expenses	2,003	933	5,276	(777)
Accounts payable and accrued liabilities	(2,561)	9,570	(32,493)	(10,270)
Provisions	3,227	(2,916)	3,897	(1,048)
Employee-related liabilities (current)	(29,549)	(8,195)	(16,758)	(24,193)
Deferred revenues (current)	(3,292)	(16,703)	(816)	(5,681)
	(86,456)	**(91,827)**	(152,552)	**(135,723)**

In thousands of Canadian dollars, unless otherwise noted

14. FINANCIAL INSTRUMENTS

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

	September 30, 2016		March 31, 2016		
	Carrying values	Fair values (Level 2)	Carrying values	Fair values (Level 2)	Note
Financial instruments measured at fair value on a recurring basis:					
Cash	97,475	n/a	156,465	156,465	(a)
Derivative financial asset instruments					
Stock options (assets)	151	151	151	151	(c)
Forward contracts (liabilities)	14	14	159	159	(b)
Financial instruments measured at amortized cost:					
Trade and other receivables	177,200	n/a	136,370	136,370	(a)
Promissory notes receivable (current)	2,745	n/a	2,651	2,651	(a)
Investment in finance lease (current)	3,064	n/a	2,960	2,960	(a)
Accounts payable and accrued liabilities	80,019	n/a	112,512	112,512	(a)
Bonds payable (current)	22,589	n/a	22,269	22,269	(a)
Obligations under finance leases (current)	11,885	n/a	11,476	11,476	(a)
Notes payable (current)	8,618	n/a	8,523	8,523	(a)
Promissory notes receivable (non-current)	39,492	46,947	40,877	48,270	(d)
Investment in finance lease (non-current)	42,861	52,140	44,419	53,507	(d)
Bonds payable (non-current)	229,249	308,449	236,851	317,488	(e)
Obligations under finance leases (non-current)	10,526	10,566	16,581	16,780	(e)
Notes payable (non-current)	90,298	104,385	93,784	107,335	(e)

There have been no transfers between levels during the three and six months ended September 30, 2016.

(a) The fair values approximate their carrying value due to the current nature of these instruments.

(b) The fair value is based on a discounted cash flow model based on observable future market prices.

(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 reflect 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.

In thousands of Canadian dollars, unless otherwise noted

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:

	Three months ended September 30			
	Rendering of services		Receipt of services	
	2016	2015	2016	2015
Associate	575	594	-	-
Other related entities[1]	28	28	-	137
	603	**622**	-	**137**

[1] Transactions with other related entities primarily relate to administration services provided to the Corporate Pension Plan.

	Six months ended September 30			
	Rendering of services		Receipt of services	
	2016	2015	2016	2015
Associate	1,126	1,173	-	-
Other related entities[1]	56	56	-	146
	1,182	**1,229**	-	**146**

In addition, cash payments for the Corporation's contributions to the defined benefit plans are disclosed in Note 10 (c).

A. TRANSACTIONS WITH RELATED PARTIES EXCLUDING GOVERNMENT-RELATED ENTITIES

The following balances were outstanding at the end of the period and are included in Trade and other receivables on the Condensed Interim Consolidated Statement of Financial Position:

	Amounts owed by related parties	
	September 30, 2016	March 31, 2016
Associate	562	579

There are no amounts owing to related parties at September 30, 2016 (March 31, 2016 – nil).

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

B. OTHER TRANSACTIONS WITH ASSOCIATE

There were no significant transactions with the Corporation's associate during the current or previous fiscal periods other than the dividends received, as discussed in Note 8.

C. 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 27 Commitments of the Corporation's consolidated financial statements for the year-ended March 31, 2016. Commitments for the purchase of property and equipment as of this quarter are disclosed within Note 6.A Property and Equipment of this report. There were no other material changes to commitments during the second quarter of 2016-2017.

17. SUBSEQUENT EVENTS

(Placeholder)