



2013-2014 ANNUAL REPORT - RESULTS PRESENTATION

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| TO: | Board of Directors |
| MEETING: | June 18, 2014 |
| FROM: | Suzanne Morris, Vice-President and Chief Financial Officer Andie Andreou, Executive Director and Corporate Controller |
| DECISION SOUGHT: | Audit Committee recommends to the Board of Directors approval to issue the CBC/Radio-Canada Annual Report for the year ended March 31, 2014. |
| NEXT STEPS: | CBC/Radio-Canada will be submitting its Annual Report for the year ended March 31, 2014. |
| DATE: | June 10, 2014 |



AGENDA

1

2013-2014 Financial Results

2

Disclosure Highlights

3

Significant Accounting and Reporting Matters



1. 2013–2014 FINANCIAL RESULTS HIGHLIGHTS

- Revenue increase of \$121.8M from advertising associated with the Sochi 2014 Olympic Winter Games and from the broadcast of a complete season of *HNIC* following last year's lock out. These increases were partially offset by a weaker advertising market.
- Expenses remained comparable with last year, while producing more major events such as more *HNIC* games and covering the Sochi 2014 Olympic Winter Games. This reflects our successful cost management initiatives.
- The decrease in government funding recognized of \$64.0M mainly reflects the lower levels of parliamentary appropriations received this year (\$23.0M) and lower amounts of capital funding recognized for accounting purposes (\$32.5M) following last year's shutdown of our analogue TV assets.
- Prior year non-operating items include \$19.6M of net gains from selling real estate assets.
- Net results and results on a current operating basis improved despite lower amounts of government funding, reflecting the combined impact of higher revenue this year, and initiatives to reduce operating expenses which offset costs incurred to broadcast both the full season of *HNIC* and the Sochi Olympics.

More detailed analysis of variances on total comprehensive income and the statement of financial position is provided in Appendix 2.

(in thousands of Canadian dollars)

| | For the year ended March 31 | | %change |
|--|-----------------------------|---------------------------------|---------------|
| | 2014 | 2013 (revised ¹) | |
| Revenue | 767,830 | 646,065 | 18.8 |
| Expenses | (1,873,717) | (1,870,963) | 0.1 |
| Government funding | 1,090,898 | 1,154,850 | (5.5) |
| Net results before non-operating items | (14,989) | (70,048) | (78.6) |
| Non-operating items | (2,964) | 19,076 | (115.5) |
| Net results for the year | (17,953) | (50,972) | (64.8) |
| Results on a current operating basis ² | 46,429 | 216 | N/M |

N/M = not meaningful

¹ The amounts for 2013 have been revised as a result of the adoption of the revised accounting standard on pensions.

² Results on a Current Operating Basis is a non-IFRS measure. A reconciliation of net results to Results on a Current Operating Basis is provided in Appendix 1



2. DISCLOSURE HIGHLIGHTS

The following provides a high-level overview of new disclosures presented in this MD&A relative to last year:

- MD&A fully updated to discuss the year's business activities and to include forward-looking disclosure on financial challenges, the restructuring announced in April 2014, and strategic direction Beyond 2015.
- Strategic Indicators:
 - Fully updated to reflect report card scores received this year and two new questions added to the survey. Third year of data has allowed analysis of trends and commentary on results of various indicators.
- Financial Results:
 - Specialty services results no longer presented separately following the new CRTC licence conditions, consistent with the interim report at December 31, 2013;
 - Results on a current operating basis included as a non-IFRS measure consistent with the quarterly interim reports to provide complementary information to readers.
- Financial Reporting Disclosure - updated disclosures of Critical Accounting Estimates and Judgments following the adoption of new accounting standards and business activity during the year:
 - The application of CBC/Radio-Canada-specific mortality assumptions for pension accounting;
 - Judgments related to retaining significant influence over Sirius XM;
 - Judgments related to retaining control of the Corporation's two Trusts and to lease classification.



3. SIGNIFICANT ACCOUNTING AND REPORTING MATTERS

2013-2014 CONSOLIDATED FINANCIAL STATEMENTS

The following topics were discussed during the Audit Committee meeting:

Significant Accounting Matters:

- **Sirius XM activity** – Including the conversion of shares, CBC/Radio-Canada's share of Sirius XM income and dividends, and the dilution gain recognized due to Sirius XM's debt redemption and associated conversion activity.
- **Real Estate** – Settlement of municipal tax and impact on related provision.
- **Programming amortization review** – Revision of amortization rates related to certain programming categories.
- **CRTC** – Specialty services licences – Change in presentation following the new CRTC licence conditions.
- **Pension plan annual impact** – Other Comprehensive Income of \$204 million reflected in these financial statements (includes mortality non-cash charge of \$209 million following adoption of CBC-specific assumptions).
- **New Accounting Pronouncements** – Discussion of pronouncements adopted during the year and update provided on preparation for standards effective April 1, 2014.
- **Other** – Discussed future pronouncements and business activity affecting accounting and reporting in future periods.

Reporting Process Update:

- **Management Discussion & Analysis** – Confirmed process and approval of senior management team.
- **Financial Statements** – Confirmed processes including audit procedures and sign-off.
- **Internal Controls over Financial Reporting** – Discussed work completed and project status.



APPENDIX 1 – NON-IFRS MEASURE

PRESENTATION OF RESULTS ON A CURRENT OPERATING BASIS

➤ Results on a Current Operating Basis reconciles to Net results under IFRS as follows:

(in thousands of Canadian dollars)

| | For the year ended March 31 | | |
|--|-----------------------------|---------------------------------|---------------|
| | 2014 | 2013 (revised ¹) | %change |
| Net results for the year | (17,953) | (50,972) | (64.8) |
| Items not generating or requiring funds from operations | | | |
| Pension and other employee future benefits | 58,799 | 50,991 | 15.3 |
| Depreciation and decommissioning expenses | 127,732 | 173,843 | (26.5) |
| Amortization of deferred capital funding | (111,280) | (151,366) | (26.5) |
| Other | (10,869) | (22,280) | (51.2) |
| Results on a current operating basis | 46,429 | 216 | N / M |

N/M = not meaningful

¹The amounts for 2013 have been revised as a result of the adoption of the revised accounting standard on pensions.



APPENDIX 2 - FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

| <i>(in thousands of Canadian dollars)</i> | For the year ended March 31 | | | |
|---|-----------------------------|---------------------------------|---------------|--|
| | 2014 | 2013 (revised ¹) | % change | |
| Revenue | 767,830 | 646,065 | 18.8 | Overall higher revenue this year as a result of the coverage of the Sochi 2014 Olympic Winter Games in February 2014 which generated additional advertising revenue on multiple platforms for both English and French Services, and as a result of the return of hockey following the NHL lockout last year. In addition, non-advertising Olympic revenue also contributed to the increase this year. This overall increase was partially offset by the weakening advertising market, lower subscriber fees following the sale of bold last year, and reduced LPIF contributions as this funding is phased-out. |
| Expenses | (1,873,717) | (1,870,963) | 0.1 | Expenses held stable with last year (increasing by \$2.8 million or 0.1% overall) while incurring expenses to broadcast both a full season of NHL hockey and the rights fees and broadcasting costs of the 2014 Sochi Winter Olympics. This result was due to the impact of successful savings initiatives, the end of the <i>Jeopardy!</i> and <i>Wheel of Fortune</i> contract, and the sale of bold at the end of 2012-2013. |
| Government funding | 1,090,898 | 1,154,850 | (5.5) | The decrease in operating appropriations was consistent with funding reductions announced in the 2012 Federal Budget together with lower amortization of deferred capital funding relative to last year following the accelerated depreciation of analogue TV and shortwave assets. These decreases were partly offset by the receipt of salary inflation funding for fiscal year 2013-2014, received for the first time since 2009-2010. Salary inflation funding will not be received for a further two years - 2014-2015 and 2015-2016. |
| Non-operating items | (2,964) | 19,076 | (115.5) | Non-operating losses this year related to equipment disposals as we continue to replace old technology. These costs were partially offset by a non-cash dilution gain related to our investment in Sirius XM. Prior year non-operating items gains related mainly to \$18.5 million in net proceeds following the disposal of transmission sites in Calgary and Edmonton. |
| Net results for the year | (17,953) | (50,972) | (64.8) | |
| Other comprehensive income | 203,812 | 40,342 | 405.2 | Higher other comprehensive income resulted from the combined effect of a higher return on plan assets than interest income included in net results and actuarial gains on the pension plan due to a increase in the discount rate on the obligation from 4.00% to 4.25%. These increases were partially offset by the recognition of a non-cash adjustment related to changes in mortality assumptions. |
| Total comprehensive income (loss) for the year | 185,859 | (10,630) | N / M | |
| N/M = not meaningful | | | | |
| ¹ The amounts for 2013 have been revised as a result of the adoption of the revised accounting standard on pensions. | | | | |



APPENDIX 2 - FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | For the year ended March 31 | | | |
|--|-----------------------------|---------|---------|---|
| | 2014 | 2013 | %change | |
| <i>(thousands of Canadian dollars)</i> | | | | |
| ASSETS | | | | |
| Cash | 61,974 | 51,459 | 20.4 | Timing of inflow/outflows. |
| Trade and other receivables | 277,020 | 184,470 | 50.2 | Overall increase in trade receivables largely attributable to the Winter olympics that took place in February 2014 and the return of hockey to CBC programming schedule in 2013-2014 when compared to lower advertising revenue in 2012-2013 due to the NHL lock out. Other receivables remained relatively consistent overall. |
| Programming | 135,389 | 145,379 | (6.9) | Decrease in both English and French Services non-procured programming due to the telecasting of <i>the Phantoms</i> , <i>Barney's Version</i> and <i>Mr Hockey</i> and the end of the production of <i>À la ferme de Zénon</i> and <i>On prend toujours un train pour la vie</i> . English Services procured programming also decreased year-over-year following the telecast of the <i>Up/Alice in Wonderland/Toy Story 3</i> package, the <i>Mean Girls</i> package, the <i>Wonderful World of Disney 2012-2013</i> package and <i>Just for Laughs (Series 9)</i> . These variances include the impact of the \$5.0M adjustment made following this year's review of amortization rates on drama programming. |
| Prepaid expenses | 97,473 | 137,563 | (29.1) | Decrease in prepayments due mostly to the amortization of hockey rights for both this season and last season games as well as Sochi Olympic rights payments recognized as expenses. Other factors contributing to the overall decrease in prepayments include and the absence of a prepayment this year for municipal taxes. These decreases were partly offset by prepayments made towards hockey rights and FIFA rights for the 2014 World Cup. |
| Assets classified as held for sale | 6,890 | 1,801 | 282.6 | Increase in assets classified as held for sale mostly for properties in Halifax, Matane, Grand Falls, Gander and Windsor. |
| Deferred charges | 22,018 | 9,526 | 131.1 | Higher deferred charges mostly relate to a prepayment for Rio 2016 Olympic rights and the recognition of a full year of rent for the Allied lease. This was partly offset by the reclassification to short-term prepaid expenses of FIFA 2014 World Cup rights and International Skating Events for FY 2014-2015. |
| Investment in associate | 1,855 | 3,473 | (46.6) | The change in value in the investment in Sirius reflects CBC's portion of Sirius's earnings and, a current year dilution gain, less dividends received during the year. |



APPENDIX 2 - FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

| (thousands of Canadian dollars) | For the year ended March 31 | | | |
|--|-----------------------------|---------|---------|---|
| | 2014 | 2013 | %change | |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 106,296 | 96,213 | 10.5 | The increase in payables and accrued liabilities is due partially to the timing of trade payables around year-end, and partially to higher accruals relative to last year to account for payments to be made after year-end for sports rights. |
| Provisions | 32,623 | 51,296 | (36.4) | The decrease in provisions compared with last year is mainly due to the settlement reached with the City of Toronto for municipal taxes and spending on the decommissioning of the analogue network (resulting in release of related provision). |
| Pension plans and employee-related liabilities (s-t and l-t) | 339,095 | 479,198 | (29.2) | The overall decrease in the pension plan liabilities is mainly due to actuarial gains on plan obligations in 2014 as the discount rate on the obligation increased from 4.00% to 4.25% and a remeasurement gain on plan assets. These gains were partially offset by an increase in the liabilities following revisions to the mortality assumptions applied. |
| Deferred revenues (s-t and l-t) | 27,628 | 18,021 | 53.3 | The increase in deferred revenues compared with last year is mostly attributable to deferred revenue associated with our lease arrangement with Allied and the receipt of a fee for the host broadcasting of Toronto 2015 Pan Am games not recognized in income at year-end. |
| Deferred capital funding | 518,272 | 525,696 | (1.4) | The decrease in deferred capital funding is consistent with higher amortization and write-offs of analogue TV transmission assets at our non-mandatory sites, and write-offs of RCI transmission assets. |
| EQUITY | | | | |
| Total equity attributable to the Corporation | 236,117 | 50,392 | 368.6 | Equity reflects the total of net results and remeasurements of the Corporation's defined benefit plans. |



APPENDIX 3 – ANNUAL REPORT

- Annual Report 2013-2014 for the year ended March 31st, 2014.