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CBC/Radio-Canada releases 2014-2015 second quarter financial report

Key highlights:

- Advertising revenue increased \$10.6 million or 8.3%, primarily as a result of the 2014 FIFA World Cup coverage this summer.
- Expenses declined \$24.6 million in spite of additional production costs for the 2014 FIFA World Cup and recognizing severance costs associated with staff reductions.
- Government funding recognized for accounting purposes declined by \$138.2M as a result of the timing of cash drawdowns. By year-end, operating funding is expected to be \$46.3 million lower than last year, consistent with the last phase of reductions announced in Federal Budget 2012.

CBC/Radio-Canada today issued its second quarter financial report for 2014-2015. The report highlights significant business and financial developments occurring in the second quarter ended September 30, 2014. The report is available in full on the CBC/Radio-Canada corporate website, cbc-radio-canada.ca.

“Through our new strategy *A space for us all*, we are working to deepen our connection with Canadians through both our content, and the way Canadians consume it”, said Hubert T. Lacroix, President and CEO of CBC/Radio-Canada. “During this quarter we have continued taking tangible action so we can get to a place where we are not only sustainable, but even more deeply connected to the hearts and minds of Canadians”.

(in thousands of Canadian dollars)	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Revenue	138,129	127,568	8.3	330,721	311,720	6.1
Expenses	(362,923)	(387,480)	(6.3)	(832,444)	(854,490)	(2.6)
Government funding ¹	128,177	266,392	(51.9)	375,932	520,374	(27.8)
Results before non-operating items	(96,617)	6,480	N/M	(125,791)	(22,386)	N/M
Non-operating items	43,410	(759)	N/M	39,015	(2,274)	N/M
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Results on a current operating basis²	(55,536)	9,443	N/M	(67,352)	8,853	N/M

N/M = not meaningful

¹ Movements in working capital and proceeds from the sale of a portion of our equity interest held in Sirius XM Canada Holdings Inc. reduced the need to draw down operating appropriations during the quarter.

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 below.

Results this quarter both under IFRS and on a Current Operating Basis reflect a timing difference in the recognition of government funding into income that resulted from lower drawdowns relative to the second quarter last year. Movements in working capital and proceeds from the sale of a portion of our equity interest in Sirius XM Canada Holdings Inc. (SiriusXM) reduced the need to draw down operating appropriations. As a result, total government funding recognized in income was \$138.2 million (51.9%) lower than the second quarter last year. By year-end, total government funding for operations is still expected to be \$46.3 million less than last year, consistent with the final phase of implementing Federal Budget 2012.

Other changes in net results under IFRS and on a Current Operating Basis were primarily due to the following:

- Revenue increased by \$10.6 million (8.3%) compared to the second quarter of 2013-2014, mostly because the current quarter included higher advertising and miscellaneous revenue from broadcasting the 2014 FIFA World Cup Brazil, which finished in mid-July. These increases were somewhat offset by the absence of revenue from September pre-season hockey following the end of our contract with the National Hockey League (NHL), reduced Local Programming Improvement Fund (LPIF) contributions as the fund was phased out, and the impact of market softness on our advertising revenue.
- Total expenses were lower by \$24.6 million (6.3%) compared to the same period last year, in spite of incurring additional production costs associated with the 2014 FIFA World Cup and additional severance costs following the staff reductions announced in the previous quarter. This overall decrease was achieved through reductions in ongoing operating costs and program spending following funding reductions and other financial challenges.
- Results on a Current Operating Basis for the period reflected a loss of \$55.5 million primarily arising from the timing of government funding drawdowns, as discussed above. This result excludes items that do not generate or require funds from operations, the most significant individual item being an \$11.5 million charge for non-cash pension expense. Further details reconciling net results to Results on a Current Operating Basis are provided below.

Business Update

In addition to the summer highlight of the multiplatform 2014 FIFA World Cup Brazil coverage, which finished in mid-July, CBC/Radio-Canada delivered an engaging summer lineup on both networks and across all platforms.

As part of the lineup, CBC Radio took the opportunity to experiment with new content that was well received, the highlights of which included *Live Through This*, *The Bugle and the Passing Bell*, and *What a Waste*.

Signature events abounded this summer, including multiplatform coverage of the 2014 Glasgow Commonwealth Games, as well as extensive coverage of Canada's 147th birthday on July 1.

With the coming of fall, CBC and Radio-Canada featured exciting launches with a heavy emphasis on audience engagement through both social media and interactive digital offerings tied to shows. ICI Radio-CanadaTélé, in particular, featured a number of shows tied to interactive experiences, while CBC Television launched its fall season, including four new shows, using the hashtag #FallforCBC.

As always, the Corporation's radio offering this fall is rich and extensive, including a bold weekend schedule of new shows on ICI Radio-Canada Première, and the 10th anniversary of ICI Musique. Numerous returning favorites are back on CBC Radio, including season 13 of Anna Maria Tremonti's *The Current*.

CBC/Radio-Canada is continuing to honour its commitment to the country's regions through diverse content that is of interest to Canadians in different areas, ranging from extensive election coverage in both New Brunswick provincial race and Ontario municipal coverage, to region-specific fall launches, such as ICI Acadie's launch on National Acadian Day.

Looking ahead, the Corporation announced in October that it would be partnering with Rogers Communications and Bell Media to deliver the 2018 and 2020 Olympic Games. The Corporation is also continuing its implementation of the new strategic plan that will take it to 2020, *A space for us all*.

Reconciliation of Results on a Current Operating Basis

<i>(in thousands of Canadian dollars)</i>	For the three months ended September 30			For the six months ended September 30		
	2014	2013	% change	2014	2013	% change
Net results for the period	(53,207)	5,721	N/M	(86,776)	(24,660)	N/M
Items not generating or requiring funds from operations						
Pension and other employee future benefits	11,484	15,532	(26.1)	23,883	31,617	(24.5)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	6,045	3,138	92.6	11,122	7,846	41.8
Non-budgetary annual leave	(10,676)	(8,241)	29.5	(1,993)	3,337	(159.7)
Other	(9,182)	(6,707)	36.9	(13,588)	(9,287)	46.3
Results on a current operating basis	(55,536)	9,443	N/M	(67,352)	8,853	N/M

N/M = not meaningful

CBC/Radio-Canada defines Results on a Current Operating Basis as Net Results under IFRS, less the adjustments for non-cash expenses that will not require operating funds within one year and non-cash revenues that will not generate operating funds within one year. This measure is used by management to help monitor performance and balance the Corporation's budget consistent with government funding methodology. We believe this measure provides useful complementary information to readers, while we recognize 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 the depreciation and amortization of capital assets and the amortization of deferred capital funding because these are non-cash items. 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.

Results on a Current Operating Basis represented a loss of \$55.5 million this quarter, a decrease of \$65.0 million when compared to last year. This decrease primarily reflects the lower government funding drawn down this quarter and recognized in income as mentioned above in our discussion of IFRS net results. This decrease in government funding recognized was partially offset by additional sources of operating funds in the quarter from the sale of some of our shares in SiriusXM, higher revenue and lower operating costs, and proceeds receivable from an insurance claim. On a year-to-date basis, the same factors explained most of the decrease in our results on a Current Operating Basis to a loss of \$67.4 million.

About CBC/Radio-Canada

CBC/Radio-Canada is Canada's national public broadcaster and one of its largest cultural institutions. The Corporation is a leader in reaching Canadians on new platforms and delivers a comprehensive range of radio, television, internet, and satellite-based services. Deeply rooted in the regions, CBC/Radio-Canada is the only domestic broadcaster to offer diverse regional and cultural perspectives in English, French and eight Aboriginal languages.

A space for us all is CBC/Radio-Canada's new strategy to modernize the public broadcaster and ensure that it continues to fulfill its mandate for Canadians and for future generations. Through to 2020, it will increase its investment in prime time television programming, and continue to create radio programs of the highest quality, while promoting the development of digital and mobile platforms and content.

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