

CBC/Radio-Canada releases its first quarterly financial report for 2014-2015

August 27, 2014, Ottawa

CBC/Radio-Canada today issued its first quarterly financial report for 2014–2015. The report highlights significant business and financial developments occurring in the first quarter ended June 30, 2014.

- * Revenue and expenses increased by 8.4 million (4.6%) and 2.5 million (0.5%), respectively, largely a result of covering the FIFA World Cup and strong cost management. These results also include the impact of downsizing costs of \$23.2 million recognized in the period as well as a \$10.4 million special dividend received in June of this year.
- * Results on a Current Operating Basis for the quarter reflected a loss of \$7.4 million, excluding items that do not generate or require funds from operations, the most significant being a \$12.4 million charge for non-cash pension expense.

“In a quarter in which we incurred both costs for covering the FIFA World Cup and downsizing expenses as we implement budget 2014-2015 cost-reduction measures, we achieved a relatively balanced result in which higher self-generated revenue more than offset these incremental expenses when compared to the same period last year,” said Hubert T. Lacroix, President and CEO of CBC/Radio-Canada. “This is in large part due to our success with the FIFA World Cup, as well as continued sound financial management decisions that will position us to achieve the strategic directions outlined under *A space for us all*.”

(in thousands of Canadian dollars)

	For the three months ended June 30		
	2014	2013	%change
Revenue	192,592	184,152	4.6
Expenses	(469,521)	(467,000)	0.5
Government funding	247,755	253,982	(2.5)
Results before non-operating items	(29,174)	(28,866)	1.1
Non-operating items	(4,395)	(1,515)	N/M
Net results for the period	(33,569)	(30,381)	10.5
Results on a current operating basis¹	(7,421)	(590)	N/M

N/M=not meaningful

¹ 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.

Changes in revenue, funding and expenses were as follows:

- ⊕ Revenue increased by \$8.4 million (4.6%) compared to the first quarter of 2013–2014, largely because the current quarter included higher advertising and miscellaneous revenue from broadcasting the FIFA World Cup which started mid-June. These revenue increases were partly offset by reduced Local Programming Improvement Fund (LPIF) contributions as the fund will be fully phased out by August 31, 2014.
- ⊕ Government funding recognized for accounting purposes was \$6.2 million (2.5%) lower this quarter relative to the same period last year, consistent with lower funding being received for operations.
- ⊕ Total expenses were slightly higher by \$2.5 million (0.5%) compared to the same period last year. Ongoing operating costs have actually decreased by \$10.3 million relative to the first quarter last year in response to funding reductions and other financial challenges. However, this reduction was offset by a \$23.2 million in charge for downsizing costs as a result of our 2014-2015 budget reduction plan. Also included in our expenses is a special dividend of \$10.4 million received in June 2014 from our investment in SiriusXM Canada Holdings Inc. that was recognized as a reduction of expenses for accounting purposes.

Business Update

The launch of the Corporation's new Strategy, *A space for us all*, was a significant focus for the business during the first quarter of 2014-2015. It calls for CBC/Radio-Canada to evolve into a more focused public broadcaster that will connect personally with Canadians. Realizing this strategy will be an ongoing process that will unfold over the next five years and fundamentally transform our organization.

This spring, both CBC and Radio-Canada continued delivering quality programming across all of our platforms, including new, original television programming such as *Toi et Moi* on ICI Radio-Canada Télé and *Secrets & Lies* on CBC Television, as well as the NHL Stanley Cup playoffs, which retained strong viewership compared to the previous year. Radio also delivered numerous personable and amusing summer offerings, such as the Montreal-based *La nature selon Boucar* on ICI Radio-Canada Première, and *Grownups Read Things They Wrote As Kids* on CBC Radio One.

As part of our signature event line-up, Canadians flocked to CBC/Radio-Canada and our broadcast partners to take in the excitement of the FIFA World Cup in Brazil during June and July, with nearly 89% of Canadians enjoying the content in English or French across all platforms. In other multiplatform signature events, history came alive through extensive coverage across both networks of the 70th Anniversary of D-Day in Normandy, France.

This quarter also saw extensive, multiplatform coverage of the Quebec and Ontario provincial elections, in which citizens from both provinces turned to CBC and Radio-Canada's television and digital platforms for up-to-the-minute coverage of results, as well as informative and interactive commentary.

In keeping with the Corporation's efforts to extend our digital presence, the Corporation continues to reach out to listeners and viewers through digital platforms and initiatives including a revamped ICI Radio-Canada.ca regional page for the greater Montreal area; extensive new programming as part ICI ARTV's summer programming; as well as the results of the CBCMusic.ca *Searchlight* song competition, following the voting of more than 1.1 million listeners.

"From the challenging budget 2014-2015 announced in April to the launch of our new strategy, *A space for us all*, at the end of June, the first quarter has put the Corporation on a new course for the future," concluded Mr. Lacroix, President and CEO of CBC/Radio-Canada. "We will continue working on the changes initiated during these last few months. I would like to commend all of our employees for the engagement and professionalism they are showing through this time of transition."

Reconciliation of Results on a Current Operating Basis

(in thousands of Canadian dollars)

	For the three months ended June 30		
	2014	2013	%change
Net results for the period	(33,569)	(30,381)	10.5
Items not generating or requiring funds from operations			
Pension and other employee future benefits	12,399	16,085	(22.9)
Depreciation, amortization and decommissioning expenses, net of amortization of deferred capital funding	5,077	4,708	7.8
Other	8,672	8,998	(3.6)
Results on a current operating basis	(7,421)	(590)	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.

CBC/Radio-Canada's 2014–2015 first quarterly financial report can be found [here](#).

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.

For additional information, please contact:

France Belisle

Director, Communications and Public Relations

tel. 613-288-6039

cel. 613-301-0552

France.Belisle@radio-canada.ca