Management Discussion and Analysis

Seasonality

The majority of our self-generated revenue comes from advertising, which follows seasonal patterns. Advertising revenue varies according to market and general economic conditions and the programming schedule. 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 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.

Note Regarding Forward-Looking Statements

This report contains forward-looking statements regarding objectives, strategies and expected financial and operational results. Forward-looking statements are based on the following broad assumptions: CBC/Radio-Canada's government funding remains consistent with amounts announced in Federal Budget 2012; the funding received from the Local Programming Improvement Fund (LPIF) will be phased out by August 31, 2014; the television advertising market will remain healthy; and the broadcasting regulatory environment will not change significantly. Key risks and uncertainties are described in Section 4.4 Outlook and Section 4.5 Risk management and key risk table of this report. However, some risks and uncertainties are by definition difficult to predict and beyond our control. They include, but are not limited to economic, financial, technical and regulatory conditions. These, along with other factors may cause actual results to differ substantially from the expectations stated or implied in forward-looking statements.

1. Core Business and Strategy

1.1 Mandate

We are Canada's national public broadcaster and we are guided by the *Broadcasting Act*.

The *Broadcasting Act* states that "…the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains. The programming provided by the Corporation should:

- Be predominantly and distinctively Canadian, reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions;
- Actively contribute to the flow and exchange of cultural expression;
- Be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities;
- Strive to be of equivalent quality in English and French;
- Contribute to shared national consciousness and identity;
- Be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose; and,
- Reflect the multicultural and multiracial nature of Canada."

In addition to this domestic mandate, CBC/Radio-Canada is also required by section 46(2) of the *Act* to provide an international service, RCI. On June 24, 2012, RCI transitioned from a short-wave and web radio service to a web-only international service, RCInet.ca, available in five languages: French, English, Spanish, Arabic and Mandarin.

Our vision is to be the recognized leader in expressing Canadian culture and to enrich the democratic life of all Canadians.

In establishing and operating our broadcasting activities, CBC/Radio-Canada is expected to comply with licencing and other regulatory requirements established by the CRTC, as well as any requirements under the *Radio Communication Act* that may apply to the Corporation's use of the radiocommunication spectrum.

1.2 CBC/Radio-Canada Services

CBC/Radio-Canada delivers a comprehensive range of radio, television, internet, mobile and satellite-based services, and is focused on developing and growing new platforms to give Canadians' better access to our content. Deeply rooted in the regions, we are the only domestic broadcaster to offer diverse regional and cultural perspectives in English, French and eight Aboriginal languages, as well as five languages for international audiences. The Corporation's broadcasting reach extends across Canada and around the world, offering high-quality, distinctive content by, for and about Canadians, wherever and however they want it. We have more than 30 services, as follows:

Radio

CBC Radio One

News, current affairs, arts and culture via radio and SiriusXM Channel 169.

CBC Radio 2

Classical, jazz and popular music via radio and four online channels: Classical, Jazz, Canadian Songwriters and Canadian Composers.

CBC Radio 3

Home of Canadian indie music via the Internet, podcast and SiriusXM Channel 162.

CBC Music-Sonica

CBC Music Sonica features non-stop adult alternative bands from Canada and beyond, combining new rock sounds of today with a sprinkling of Canadian heritage artists via SiriusXM Channel 171.

Première Chaîne

News, current affairs, arts and culture

Première

News, current affairs and culture, in partnership with RCI and Radio France International, via SiriusXM Channel 160.

Chansons

100 per cent Francophone "chansons" music channel, playing the biggest Quebec and French artists from around the world via SiriusXM Channel 163.

FrancoCountry

100 per cent francophone and Canadian country-folk music. Listen to the biggest country hits, plus emerging artists from the new country folk scene via SiriusXM channel 166.

Television

CBC Television

News, information, sports, entertainment, documentaries and kids programming.

CBC News Network

Continuous news and information via television.

documentary

Canadian and international documentaries, films and series.

Télévision de Radio-Canada

News, current affairs, drama, culture, variety, sports and programming for children and youth.

Réseau de l'information de Radio-Canada

Continuous news, information and current affairs via television.

TV5MONDE

Programming featuring diverse cultures and perspectives from 10 broadcast partners, including Radio-Canada.

ARTV

Arts and entertainment: film, theatre, music, dance, visual arts, and more. By subscription.

Explora

Health, science, nature and the environment.

CBC News Express / RDI Express

Bilingual news and information service in five large Canadian airports, serving over 62 million travelers annually.

Digital

CBC.ca

News, information, streaming video and audio, sports highlights, web features and multimedia archives.

cbcnews.ca

Local, national and international breaking news and in-depth reporting, streaming audio and video, and web-only interactive features.

cbcsports.ca

Canadian and international breaking news and special reports from the world of sports, as well as access to live streaming of major events, including CBC's Hockey Night in Canada.

cbcmusic.ca

Free digital music service giving Canadians access to 50 web radio stations, 12 distinct genre-based music communities, CBC Radio 2 and CBC Radio 3, plus content from the most knowledgeable music personalities and programmers from across the country, hundreds of concerts, exclusive videos, playlists and more.

CBC Books

All of CBC's rich literary content across all platforms – audio, video and digital.

Radio-Canada.ca

News, information, streaming video and audio, and web features.

Tou.tv

On-demand web television, created by Radio-Canada, featuring programming from almost 50 national and international producers and broadcasters.

Espace.mu

Customized and mostly French-language music via the Internet in seven genres: pop, jazz, classical, hip-hop, rock, country-folk, world music and emerging music.

Radio Canada International (RCI)

Interactive platform for Canadian information and culture delivered in five languages via the Internet.

Others

CBC Records / Les disques SRC

A label recording Canadian musicians and releasing about eight CDs annually.

CBC Mobile Productions / Productions mobiles de Radio-Canada

Services for production and generating programming revenue by selling to the third-party market.

CBC Shop / Boutique Radio-Canada

On-site and online shop selling CBC/Radio-Canada audio and audio-visual recordings of programs, as well as related merchandise.

CBC/Radio-Canada Olympics

CBC/Radio-Canada is proud to have been awarded the rights as official broadcaster of the Olympic Games. In addition to upholding the tradition of top-tier Olympic broadcasting, there will be added emphasis on entertainment and programming across all platforms and genres, including television, radio, digital, news, unscripted programming, factual entertainment, kids programming and sports leading up to Sochi 2014 and Rio 2016.

Kids' CBC

100 per cent commercial-free, safe and entertaining content for children and youth.

CBC North

Linking Canada's northern communities via radio and television, in English, French and eight Aboriginal languages.

1.3 Board and Management Structure

CBC/Radio-Canada's Board of Directors is responsible for the oversight of the Corporation. The Board is composed of 12 members, including the Chair and the President and CEO, who are appointed by the Governor in Council.

As of March 31, 2013, the Board had five committees as shown below.

Monitors the fulfillment by the Corporation of its English and French language broadcasting responsibilities and its overall mandate.

Monitors the integrity of the Corporation's financial information and reporting, the system of internal controls and risk management, and the audit process.

Oversees matters relating to human resources, strategies, compensation, corporate governance, and the conduct of the Board's affairs.

Oversees the Corporation's overall strategic direction with respect to the fulfillment of the Corporation's statutory mandate.

Oversees the Corporation's infrastructure assets, including real estate, fleet and transmission holdings, and broadcasting, telecommunications and technology solutions.

Board activities and highlights

Over the course of the year, the Board of Directors and its committees have held numerous meetings to address major issues.

During the year, the Board was responsible for its committees and overall governance activities focusing on strategic planning and monitoring, reporting oversight, real estate planning, regional meeting initiatives and a number of approvals of major transactions. To that effect, the Board approved a Binding Letter of Agreement with the International Olympic Committee for the Canadian media rights to the 2014 and 2016 Olympic Games. The agreement strengthens our commitment to amateur sports and will connect audiences to Canadian athletes by telling their stories and showcasing their performances.

Illustrating the type of work accomplished by the Board's committees, the Strategic Planning Committee reviewed the impact of the financial pressures faced by the Corporation, including the Federal Budget 2012 reductions, LPIF elimination and lost revenues due to the NHL lockout, and recommended contingency measures to the Board for its approval.

In addition, the Infrastructure Committee (formerly the Real Estate Committee) approved or reviewed and provided direction with respect to several major projects: the Halifax Consolidation Project, the Maison de Radio-Canada Project and a major new lease project at the Toronto Broadcasting Centre, and reviewed Real Estate project updates, action plans and reports.

We have been able to achieve significant footprint reductions over the past two years amounting to nearly 400,000 square feet, or 10 per cent of the Corporation's total real estate portfolio. To that effect, we entered into a leasing arrangement with Allied Properties REIT for unused space of approximately 168,000 square feet within the Broadcasting Centre in Toronto in June 2012. Furthermore, space occupied by our regional and smaller centers has been reduced by about 9 per cent. In addition, our strategy to divest obsolete or surplus real estate assets allows us to significantly reduce our related occupancy costs.

On September 25th, the Board of Directors attended the Corporation's Annual Public Meeting in St. John's, Newfoundland.

Management structure

The Corporation's organizational structure reflects its broadcasting, infrastructure and administrative responsibilities and related activities. The Senior Executive Team included the President and CEO and seven component heads with responsibilities as defined below.

President and CEO	Responsible for overseeing the management of CBC/Radio-Canada to ensure that Canada's national public broadcaster can deliver on the various aspects of its mandate and continue to offer Canadians a broad spectrum of high quality programming that informs, enlightens and entertains, and that is created by, for and about Canadians.
Executive Vice-President, French Services	Oversees all aspects of CBC/Radio-Canada's French-language programming services, which include, among other things, Télévision de Radio-Canada, Réseau de l'information de Radio-Canada (RDI), ARTV, Radio de Radio-Canada, RCI , Radio-Canada.ca, Espace.mu and Tou.tv.
Executive Vice-President, English Services	Oversees all aspects of CBC/Radio-Canada's English-language programming services, which include, among other things, Radio One, Radio 2, CBC Television, CBC News Network, *documentary* and digital operations.
Vice-President and Chief Financial Officer	In addition to being responsible for all aspects of financial management for Canada's national public broadcaster, oversees corporate business partnerships and plays an instrumental role in helping to achieve a sustainable economic model for the future of the Corporation.

Vice-President Technology and Chief Regulatory Officer	Responsible for CBC/Radio-Canada's technology direction, for developing and implementing television and radio regulatory strategies across the Corporation, pursuant to the CRTC regulation and the *Broadcasting Act*, and for corporate research and analysis.
Vice-President, Brand, Communications and Corporate Affairs	Responsible for developing and implementing a single coherent corporate communication strategy for CBC/Radio-Canada; leading internal and external communications across the Corporation; and formulating the overall strategic direction for the promotion and marketing of programs. Also oversees the Government Relations group.
Vice-President, People and Culture	Responsible for delivering the Corporation's human resources services and ensuring a positive relationship between management and employees. Helps lead the "people" component of the Corporation's five-year strategic plan, Strategy 2015, ensuring that CBC/Radio-Canada is a rewarding, progressive and diverse workplace that builds professional teams of innovative and highly skilled people dedicated to accomplishing the plan.
Vice-President, Real Estate, Legal Services and General Counsel	Responsible for CBC/Radio-Canada's real estate portfolio across Canada and abroad and for the General Counsel's offices in Montreal, Toronto and Ottawa, the Corporate Secretariat and for compliance with Access to Information, privacy, health, safety and environmental laws.

1.4 Corporate Strategy

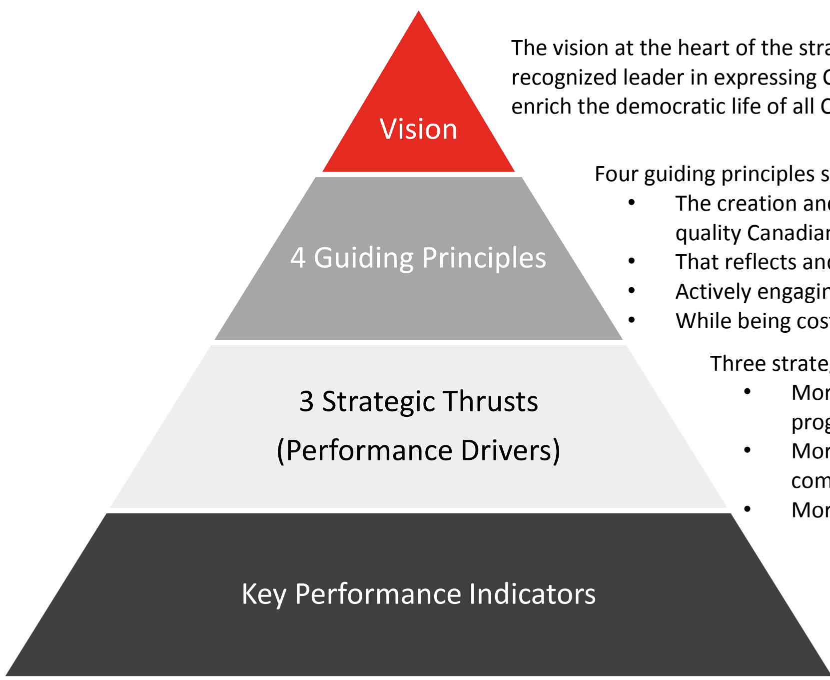
The Corporation's strategic plan, Strategy 2015*: Everyone, Every way*, was launched in February 2011. Implementation officially began during the first quarter of 2011–2012.

Everyone.
Every way.
Partout.
Pour tous.

The plan includes three components:

- A CBC/Radio-Canada vision
- Four guiding principles supporting the vision
- Three strategic thrusts for achieving our objectives

Its success is measured against key strategic and operational indicators.



The vision at the heart of the strategic plan is to be the recognized leader in expressing Canadian culture and to enrich the democratic life of all Canadians.

Four guiding principles support our vision:

- The creation and delivery of original, innovative, high-quality Canadian content.
- That reflects and draws together all Canadians.
- Actively engaging audiences.
- While being cost-effective and accountable.

Three strategic thrusts drive our performance:

- More Distinctly Canadian: Network programming and national public spaces
- More Regional: Regional presence and community spaces
- More Digital: New platforms and digital spaces

As presented in Section 2 Performance, our key performance indicators (KPI) fall into two categories:

1) ***Strategic Indicators*** include survey results regarding fulfillment of our mandate and the degree to which our programming adheres to our guiding principles. They also include measures of our Canadian content on television.

2) ***Operational Indicators*** include measures of audience share, website visitors, subscriber counts and revenue generation for English and French Services.

1.5 Business Model

We operate using several sources of funds, including government appropriations and self-generated revenues. CBC/Radio-Canada is a Crown corporation with 64.1 per cent of its budget funded by government appropriations approved by Parliament on an annual basis.

These appropriations have remained relatively constant over the past 10 years in a broadcasting environment where costs have increased significantly. However, in Budget 2012, the federal government reduced CBC/Radio-Canada's appropriation by $115 million over three years.

The remaining 35.9 per cent of the budget originates from advertising, specialty service and other revenues. CBC/Radio-Canada is not profit oriented and all sources of funds are used to fulfill its public broadcasting mandate.

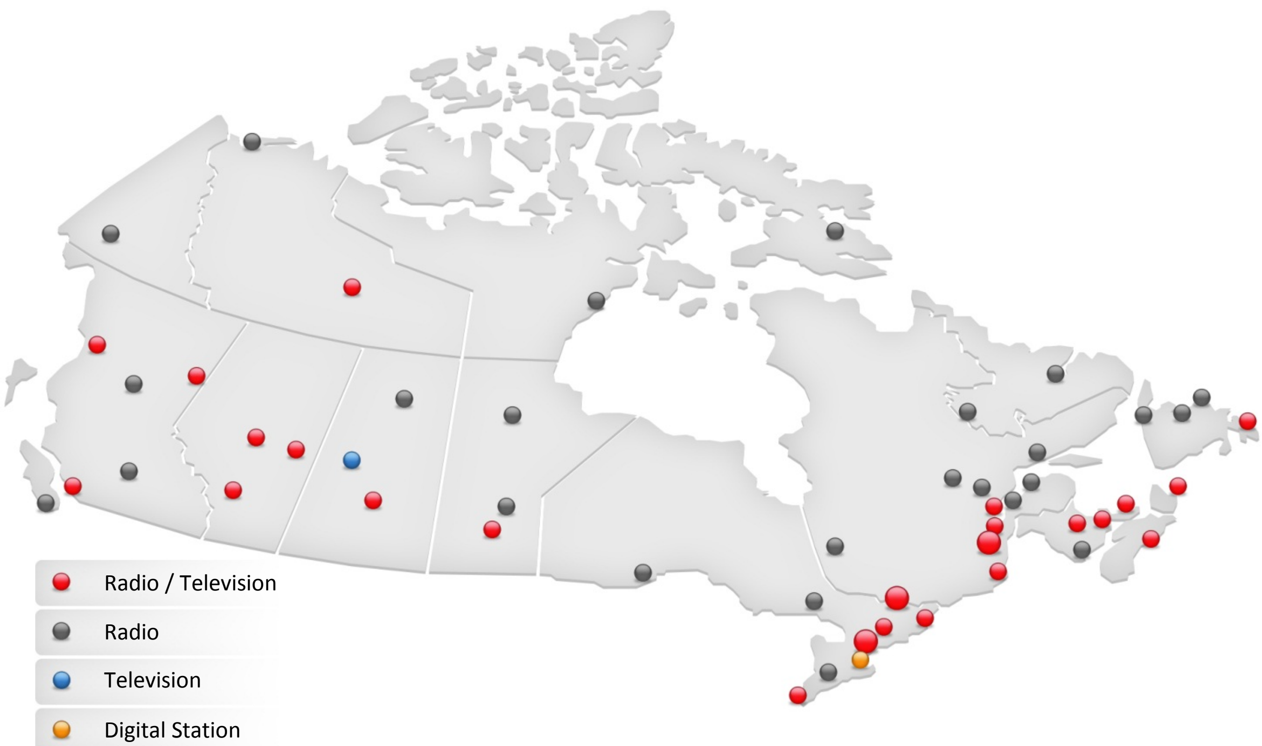
Advertising revenue	18.4%
Specialty services revenue	9.5%
Other revenue	8.0%
Total:	35.9%

1.6 Operations

As of March 2013, we employed 7,116 permanent full-time equivalent employees (FTEs), 365 temporary FTEs and 878 contract FTEs.

Our head office is located in Ottawa, with main network operations in Toronto and Montreal, and 27 television stations, 84 radio stations, and 1 digital station where we originate local programming. We have two main television networks, one in English and one in French, five speciality television channels and four Canada-wide radio networks, two in each official language. Internationally, CBC/Radio-Canada News has nine foreign bureaus. We integrate these operations with multiple websites.

CBC/Radio-Canada's Stations



2. Performance

2.1 Strategic Indicators

Measuring our success against Strategy 2015: *Everyone, Every way*

A central feature of Strategy 2015 is the establishment of metrics to track and assess our performance. We have developed a report card that allows us to monitor how well, according to surveyed Canadians, our services fulfill the Corporation's mandate under the *Broadcasting Act*, and the degree to which our programming adheres to the guiding principles of our strategic plan. Below is the report card covering the 2012–2013 fiscal year, year two of our new strategy. It shows our progress compared to the first year of the strategy (2011–2012) and the benchmark year (2010–2011).

As we now have three years of data, we have commented on the results in the sections below where the data indicated a trend[5].

Report on English Services

How does English Services fulfill its mandate under the *Act*?

CBC's English-language radio and television programming is…	Benchmark Year 2010–2011	Year 1 Year 2011–2012	Year 2 Year 2012–2013
	Average Scores (/10)	Average Scores (/10)	Average Scores (/10)
informative	7.8	7.9	7.9
enlightening	7.4	7.5	7.5
entertaining	7.2	7.4	7.3
available on new platforms	8.2	8.2	8.2

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.

1	2	3	4	5	6	7	8	9	10
Strongly Disagree			Disagree			Agree		Strongly Agree	

Source: TNS Canadian Facts (1,200 Anglophones per survey for a total of 2,400 Anglophones per year). The surveys are conducted in November and March of each year.

During the second year of Strategy 2015, English Services' Radio and Television programming maintained the results it obtained in year one (2011–2012) and the benchmark year (2010–2011).

[5] A trend is a consistent movement of data results over time.

Anglophones continue to perceive that CBC/Radio-Canada's English Services is meeting its mandate under the 1991 *Broadcasting Act*, receiving its highest scores for providing content that is ''available on new platforms'' (8.2) and ''informative'' (7.9).

How does English Services' programming fare against the guiding principles of Strategy 2015?

CBC English-language's programming[1]...	Benchmark Year 2010–2011	Year 1 Year 2011–2012	Year 2 Year 2012–2013
	Average Scores (/10)	Average Scores (/10)	Average Scores (/10)
is high quality	8.0	8.1	8.2
is different from that offered on other channels	7.2	7.5	7.4
reflects regions of Canada	7.9	8.0	8.0
reflects my region	6.1	6.3	6.5
reflects diversity	7.4	7.7	7.6
reflects my culture	6.5	6.8	6.7

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.

1	2	3	4	5	6	7	8	9	10

Strongly Disagree *Disagree* *Agree* *Strongly Agree*

1. Programming and content offered on any of our services, i.e., CBC Television, CBC News Network, **bold**, *documentary* , CBC Radio One, CBC Radio 2 and *cbc.ca* .
Source: TNS Canadian Facts (1,200 Anglophones per survey for a total of 2,400 Anglophones per year).
The surveys are conducted in November and March of each year.

The implementation of Strategy 2015 continues to be perceived positively by Anglophones, with the gains attained by each Strategy 2015 metric in year one (2011–2012) being maintained in 2012–2013. Scores for each Strategy 2015 metric, measuring alignment to the 'Guiding Principles', were higher in 2012–2013 compared to the benchmark year. The largest increase (7 per cent) was for the 'reflects my region' metric. This metric has improved each year since Strategy 2015 was launched, indicating that the initiatives introduced to-date are resonating with Canadians.

Report on French Services

How does French Services fulfill its mandate under the *Act*?

Radio-Canada's French-language radio and television programming is…	Benchmark Year 2010–2011 Average Scores (/10)	Year 1 Year 2011–2012 Average Scores (/10)	Year 2 Year 2012–2013 Average Scores (/10)
informative	8.1	8.2	8.2
enlightening	7.8	8.0	7.8
entertaining	7.7	7.8	7.8
available on new platforms	8.0	8.2	8.1

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.

1	2	3	4	5	6	7	8	9	10
	Strongly Disagree		*Disagree*			*Agree*		*Strongly Agree*	

Source: TNS Canadian Facts (1,200 Francophones per survey for a total of 2,400 Francophones per year). The surveys are conducted in November and March of each year.

In the second year of Strategy 2015, Radio de Radio-Canada and Télévision de Radio-Canada programming maintained results obtained in year one (2011–2012) and the benchmark year (2010–2011). This demonstrates that Francophones continue to feel that CBC/Radio-Canada French Services is fulfilling its mandate under the 1991 *Broadcasting Act*.

French Services received high scores for each aspect of its mandate that was measured, ranging from 7.8 for “entertaining and enlightening” to 8.2 for “informative”.

How does French Services' programming fare against the guiding principles of Strategy 2015?

Radio-Canada's French-language programming[1]...	Benchmark Year 2010–2011 Average Scores (/10)	Year 1 Year 2011–2012 Average Scores (/10)	Year 2 Year 2012–2013 Average Scores (/10)
is high quality	8.2	8.4	8.1
is different from that offered on other channels	7.6	7.9	7.6
reflects regions of Canada	7.5	7.7	7.3
reflects my region	6.8	7.1	6.7
reflects diversity	7.3	7.6	7.2
reflects my culture	7.4	7.6	7.3

Metric definition: Average score is the average of the scores given by all respondents on a 10 point scale.

1	2	3	4	5	6	7	8	9	10

Strongly Disagree *Disagree* *Agree* *Strongly Agree*

1. Programming and content offered on any of our services, i.e., Télévision de Radio-Canada, RDI, ARTV, Première Chaîne, Espace musique, Radio-canada.ca and Tou.Tv.

Source: TNS Canadian Facts (1,200 Francophones per survey for a total of 2,400 Francophones per year).
The surveys are conducted in November and March of each year.

While Francophones continue to respond positively to Strategy 2015 initiatives announced or introduced by French Services, scores for each of the Strategy 2015 metrics, measuring alignment to the 'Guiding Principles', declined in 2012–2013 compared to the previous year. Results for 2012–2013 were also slightly below with those obtained in the benchmark year (2010–2011). Results in 2013–2014 will be closely monitored to determine whether 2012–2013 marks the start of a trend.

Measuring our Canadian Content

Regulatory requirements for Canadian content on television are specified by the CRTC, which sets expectations of service for Télévision de Radio-Canada and CBC Television. For the broadcast day, a minimum of 75 per cent Canadian content is expected. For the peak period, a minimum of 80 per cent Canadian content is expected. Both measures are averages over the entire broadcast year from September 1 to August 31. As shown in the table below, in the past two broadcast years, Télévision de Radio-Canada and CBC Television have exceeded the CRTC's Canadian content expectations, both over the whole day and in prime time. Increasing Canadian programming is key to our five-year strategic plan, Strategy 2015.

Canadian Content		**Yearly Regulatory Expectations**	**Results Sep. 1, 2011 to Aug 31, 2012**	**Results Sep. 1, 2010 to Aug. 31, 2011**
Télévision de Radio-Canada				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	86%	86%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	93%	93%
CBC Television				
Broadcast day	(Mon-Sun, 6:00 a.m.-12:00 a.m.)	75%	85%	84%
Prime time	(Mon-Sun, 7:00 p.m.-11:00 p.m.)	80%	81%	82%

2.2 Operational Indicators

In addition to monitoring the overall performance of Strategy 2015 (see section 2.1 above), we have developed key performance indicators (KPIs) for English and French services.

These indicators are critical to measuring our progress towards our strategic business objectives and fulfilment of operational plans, and as such, we formulate them every year as part of the media's business plans.

Operational indicators include measures of audience share, web-site visits, subscriber counts and revenue generation.

2012–2013 Results — English Services

2012–2013 proved to be a difficult year for English Services. From a reduction in resources available to provide programming (e.g., Federal Budget 2012 cuts and LPIF) to the revenue effects of the lack of live NHL games and a soft advertising market, there were many challenges to overcome. However, in spite of these challenges, we were able to manage the situation and achieve some success relative to our targets.

For CBC Television's primetime regular season share, three significant changes affected our performance this regular season. These changes were programming reductions as a result of the funding decreases, the removal of highly viewed foreign programming from the early primetime schedule, and the loss of the highly popular *Hockey Night in Canada* from the Saturday primetime schedule for the entire fall period and partly into the winter due to the NHL labour disruption, with significant programming, promotional and revenue implications on our conventional and digital platforms.

As a result, CBC Television's primetime regular season share fell below both the 2011–2012 performance and the 2012–2013 targets.

A further consequence of the lack of *Hockey Night in Canada* was a sharp decline in revenue from television and digital advertising. This drop was somewhat offset by an increase in other types of revenues for English Services and from facilities rentals. Nevertheless, overall revenue was well below targeted levels.

CBC Radio had exceptionally strong audience performance, with a combined 15.3 per cent share of the radio market. Radio One enjoyed its highest ever Fall share, and Radio 2 had its highest Fall share since the programming changes in 2008.

Subscription levels for CBC News Network, **bold** and *documentary* ended the year on or near target and according to plan.

CBC News Network's audience share ended the year almost at target, within a tenth of a share point.

The monthly average of unique visitors to CBC.ca ended the year above 2011–2012 levels, although below target. This was in large measure because of lower performance in the first quarter compared to the same period in 2011, when the federal election and the Vancouver Canucks' Stanley Cup playoff run were strong draws. By contrast, in the third and fourth quarters of 2012–2013, the monthly average number of unique visitors was up 8 per cent year over year.

The monthly average number of unique visitors to CBC's regional sites was up 5 per cent year over year, practically meeting our target (within a half of one per cent of meeting target). Similar to CBC.ca results, in the third and fourth quarters, the monthly average number of unique visitors was up 12 per cent year over year.

Performance of regional television and radio programming was mixed. For Monday to Friday Supper Hour and Late Night local programming on CBC Television, the number of weekly hours viewed increased by 13 per cent, and exceeded the targets which had already anticipated an increase in viewership because of the expanded duration of the Late Night program in many markets.

Radio morning show listening declined year over year, and therefore finished the year below our target of maintaining the 27 per cent increase experienced from 2010–2011 to 2011–2012. The 2012–2013 results were 15 per cent higher than the results from two years ago.

Performance Table – English Services

English Services		Past Performance			Future
		Annual Targets 2012–2013	Annual Results 2012–2013	Annual Results 2011–2012	Annual Targets 2013–2014
Radio Networks					
CBC Radio One and CBC Radio 2	All day audience share[1]	14.3%	15.3%	14.5%	14.6%
Television					
CBC Television	Prime-time audience share Regular season[2]	8.1%	6.8%	8.6%	8.1%
CBC News Network	All day audience share April-March[2]	1.4%	1.3%	1.4% [3]	1.4%
Regional					
CBC Radio One morning shows	Average weekly hours tuned (Mon -Fri) Regular season[2]	6.0 million	5.5 million	6.0 million	5.5 million
TV supper and late-night news	Average weekly hours tuned (Mon -Fri) Regular season[2]	3.5 million	3.7 million	3.3 million	3.95 million
Regional web pages	Monthly average unique visitors April-March[4]	0.975 million	0.971 million	0.94 million[3]	0.995 million
New Platforms					
CBC.ca	Monthly average unique visitors April-March[4]	6.5 million	6.3 million	6.2 million[3]	6.5 million
Specialty Television Channels					
CBC News Network	Subscribers	11.4 million	11.3 million	11.3 million	11.2 million
bold	Subscribers	2.7 million	2.6 million	2.6 million	n/a[6]
documentary	Subscribers	2.6 million	2.7 million	2.6 million	2.7 million
Revenue[5] Conventional, specialty, online		$399 million	$362 million	$399 million [7]	$400 million

1. Source: BBM Canada, fall survey (diary), persons aged 12 years and older.

2. Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.

3. In 2011–2012, measurement was based on the regular season (i.e. September - March). In 2012–2013 and 2013–2014, measurement is based on the fiscal year (April - March).

4. Source: comScore, persons aged 2 years and older.

5. Revenue for documentary is reported at 100 per cent although CBC/Radio-Canada owns 82 per cent. Includes revenue from LPIF, a fund created by the CRTC to support local programming. Amounts reflect the phase out of the fund over three years ending August 31, 2014.

6. **bold** channel was sold on March 25, 2013.

7. In 2011–2012, measurement excluded merchandising/ licensing revenue which are included in 2012–2013 and 2013–2014.

Strategy 2015 Future directions – English Services

English Services enters 2013–2014 confident in our ability to connect with and serve our audiences. We will provide those audiences with strong schedules that include new and returning shows. Our digital offers will add to the availability of our content and continue to build on our successes on new platforms. We will engage Canadians and reflect the country in our role as a modern public broadcaster.

Our activities and internal resources are aligned to deliver on the strategic objectives of Strategy 2015. We are constantly refining and re-focusing our content strategies to engage and grow audiences, to increase revenues, to enter partnerships which further our strategic goals – all while remaining focused on our priorities.

More Canadian

English Services will continue to increase the availability of Canadian content to its audiences—where and when they want it. We will leverage our content on all platforms and we will engage audiences.

We will continue to be the home for Canadian entertainment programming, breaking news and enterprise journalism, the celebration of Canadian athletes (especially with the Sochi Olympic Games) and stellar audio content in talk and music formats.

Our KPI targets reflect an increase in CBC Television's primetime, regular season market share while also setting higher performance expectations for CBC News Network over actual results. The combined Radio share targets reflect goals set in the context of having achieved, in 2012, the highest ever Fall share for Radio One and the highest Radio 2 Fall share in the past five years, as well as the introduction of advertising on Radio 2.

More regional

CBC will build upon the initiatives implemented and announced to better meet the regional needs of Canadians. This includes ensuring regional reflection on the network, strengthening regional connection in communities we currently serve and increasing service to audiences who are under-served by the local CBC content.

Regional performance expectations are to grow the usage to our weekday local television programming, grow unique visitors to our regional landing pages and to maintain the usage of local programming on Radio One compared to the prior year.

More digital

To reach our goal of ensuring that our content is available whenever and wherever Canadians want it, we will invest in new technologies and to ensure an appropriate level of support for the programming offered on all platforms. We will increase digital audience use, reach and growth.

Our performance expectations reflect this focus on digital media by targeting continued growth in the number of monthly average unique visitors to CBC.ca.

Transformation to invest in strategy and manage finances

We will continue to organize ourselves to maximize how we deliver content across all platforms and encourage creativity throughout the Corporation. We will increase digital distribution and monetization of CBC content through strategic alliances and partnerships. We will collaborate with Radio-Canada to produce content of national interest.

From an accountability perspective, we will make decisions to minimize costs and drive revenue.

Finally, to assist in the funding of our operations and strategic priorities, we are targeting a substantial increase in self-generated revenues this year.

2012–2013 Results French Services

Radio-Canada had an outstanding year in 2012–2013. While pursuing the transformation of its production processes in order to reduce costs, Radio-Canada continued producing and broadcasting relevant and timely content. The programming offer was aligned with audience expectations, resulting in a number of indicators exceeding their established targets.

Many platforms benefited from a highly active news scene. This year, specialty channels captured a combined share of 5.4 per cent, mostly boosted by RDI, which attracted audiences thanks to its live content. With a 10 per cent share increase over the same period last year[6], RDI recorded its best results in 10 years[7].

Other results exceeded annual targets owing to a high volume of compelling news stories in 2012–2013, including regional television newscasts (with an average viewership of 347,000 listeners against a target of 290,000) and the regional section of *Radio-Canada.ca* (with a monthly average of 646,000 unique visitors against a target of 497,000). The success of our Première Chaîne regional morning and drive-home shows, as well as the new network noon hour program *Pas de Midi Sans Info,* also explained the strong combined results for radio of 18.5 per cent, compared with a target of 16.0 per cent.

Télévision de Radio-Canada enjoyed substantial success as well, finishing the year with a 20.3 per cent market share – almost 10 per cent higher than last year. The new prime time soap *Unité 9,* which depicts the lives of inmates in a women's prison, accounted for nearly half of this increase[8]. A strong television programming lineup also contributed to higher traffic on *Radio-Canada.ca*, with a combined monthly average of 2.2 million unique visitors. Many of these visitors also viewed content on Tou.tv, including top drama series such as *Unité 9 and 19-2*, allowing the platform to set new records. Website traffic in January, February and March 2013 was well above the previous years' results[9].

RDI achieved its objective, with 11.2 million subscribers, while ARTV finished the year slightly below target.

In 2012–2013, Radio-Canada saw its advertising revenues rise by 5 per cent over last year (up $6.6 million), in addition to increasing miscellaneous income from services for independent producers, commercial production, and merchandising. Radio-Canada also benefited from funding available through the Canada Media Fund (CMF) for programming procured through independent productions. Together, these positive results enabled Radio-Canada to generate $252.8 million in revenue, just under the established target of $253.5 million.

[6] Fiscal year, April-March
[7] Source: Radio-Canada Research
[8] Cumulative average market share of 42 per cent from September to March, Tuesday 8–9 p.m. time slot. Source: Radio-Canada research
[9] 716,000 unique visitors in March 2013 compared to 500,000 in March 2012, a record for Tou.Tv (January 2013: 644,000 unique visitors) and February 2013 (685,000 unique visitors). Source: Radio-Canada Research

Performance Table – French Services

French Services		Past Performance			Future
		Annual Targets 2012–2013	Annual Results 2012–2013	Annual Results 2011–2012	Annual Targets 2013–2014
Radio Networks					
Première Chaîne and Espace musique	Full-day audience share[1]	16.0%	18.5%	17.8%	19.3%
Television					
Télévision de Radio-Canada	Prime-time audience share Fall/Winter season[2]	18.2%	20.3%	18.7%	19.5%
RDI, ARTV, Explora	Full-day audience share April-March[2]	4.7%	5.4%	4.6%[3]	5.2%
Regional					
Première Chaîne	Morning shows audience share Mon-Fri 6-9 a.m.[1]	16.0%	17.7%	17.0%	18.5%
TV Newscasts (6 p.m.)	Average viewer per minute Weekly average Mon-Fri 6-6:30 p.m. Fall/Winter season[2]	0.290 million	0.347 million	0.291 million	0.350 million
Regional web pages	Monthly average unique visitors April-March[4]	0.497 million	0.646 million	0.476 million[3]	0.710 million
Website[3]					
Radio-Canada.ca, Tou.Tv, Bandeapart.fm, RCI.net, Espace.mu	Monthly average unique visitors April-March[4]	2.1 million	2.2 million	2.1 million[3]	2.3 million
Specialty Television Channels					
RDI	Subscribers	11.2 million[6]	11.2 million	11.1 million[6]	11.1 million
ARTV	Subscribers	2.1 million	2.0 million	2.1 million	2.0 million
Explora	Subscribers	n/a[7]	0.3 million	n/a[7]	0.4 million
Revenue[5] Conventional, specialty, online		$253.5 million	$252.8 million	$228.6 million[8]	$243.8 million

1. Source: BBM Canada, spring and fall survey (diary), persons aged 12 years and older (2011–2012, fall survey only).

2. Source: BBM Canada, Personal People Meter (PPM), persons aged 2 years and older.

3. In 2011–2012, Radio-Canada websites' and specialty channels' targets and performance were measured from September to March. In 2012–2013 and 2013–2014, measurement is based on the fiscal year (April - March).

4. Source: comScore, persons aged 2 years and older.

5. Revenue for ARTV is reported at 100 per cent although CBC/Radio-Canada owns 85 per cent. Includes revenue from LPIF, a fund reported by the CRTC to support local programming. Amounts reflect the phase out of the fund over three years ending August 31, 2014.

6. In 2012–2013, we discovered an RDI subscriber calculation error impacting annual targets, results to date and annual results. We have revised the figures in the table above to reflect the corrected calculation for all related figures and periods presented.

7. Explora was launched on March 28, 2012.

8. In 2011–2012, measurement excluded ARTV and merchandising/licensing revenue which are included in targets for 2012–2013 and 2013–2014.

Strategy 2015 Future Directions – French Services

Transformation

In 2013–2014, Radio-Canada will be actively pursuing its transformation in close alignment with audience needs and expectations. To stay on course toward a balanced budget and longer term sustainability, we will continue to adapt production methods, business models and processes, and current/future resource planning and allocation methods, while maximizing all revenue sources. To successfully complete this transformation, Radio-Canada will be relying heavily on innovation, as well as the engagement and cooperation of all employees.

Programming strategy

Once again, this year Radio-Canada is renewing its commitment to deliver original, predominantly Canadian programs and content that stand out for their quality, distinctiveness and relevance to our target audiences. Programming will reflect the country's regional and cultural diversity like never before, while presenting a variety of voices across all platforms. Numerous collaboration opportunities between Radio-Canada and CBC will help enrich content with national resonance. Some prime examples include the two networks jointly producing the 2014 Winter Olympics and pre-Olympic-year programming, as well as developing a concerted music strategy.

Despite the exceptional nature of 2012–2013 results, the targets for the main Television network and radio services, Première Chaîne and Espace musique combined, have been established on the confident assumption that audiences will continue to enjoy the Radio-Canada program offering in 2013–2014.

Regional strategy

Radio-Canada's new positioning will be felt in the local communities through an increase in regionally rooted programming. News and current affairs will be given pride of place in a lineup designed to increase the overall audience impact of regional content across all platforms. In line with 2012–2013 results, the 2013–2014 targets for radio morning shows, supper-hour newscasts and the Radio-Canada.ca regions section reflect this focus.

Platform strategy

Radio-Canada's digital platforms provide Canadians with a wide range of interactive, personalized content experiences that are enriching, innovative and entertaining. They reflect the public broadcaster's intention to adapt, in an agile, timely manner, to the needs and realities of a world where users can view, listen to, consult and consume content in so many different ways. Specialty services are an integral part of Radio-Canada's multiplatform strategy for engaging audiences.

Note that the target for specialty channels will now include Explora's share as we now have historical results for one year. For its part, the *Radio-Canada.ca* group's target now includes *Radio-Canada.ca*, Tou.tv, *rcinet.ca* and Espace.mu. It no longer includes bandeapart.fm, given that the site was shutdown in June 2013.

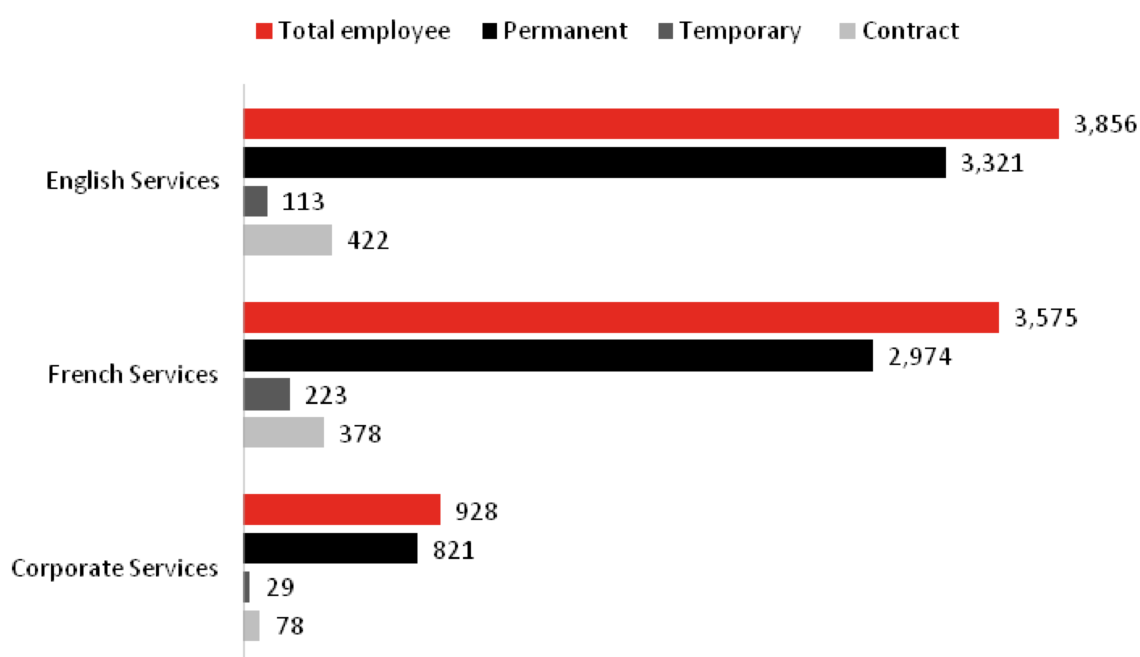
3. Capability to Deliver Results

3.1 People and Leadership

Our people are a key priority, and in 2012–2013, People and Culture introduced a new strategic three-year plan focused on enabling and accompanying our people to lead and support the ongoing transformation of CBC/Radio-Canada. We'll achieve this through focused and aligned initiatives and further collaboration within teams and across services.

Workforce Profile

As of March 2013, CBC/Radio-Canada employed a total of 8,359 full-time equivalent employees (FTEs) of whom 7,116 are permanent, 365 are temporary and 878 are contract:



Under the *Employment Equity Act*, CBC/Radio-Canada is committed to providing equal employment opportunities to the four designated groups: women, Aboriginal peoples, persons with disabilities and members of visible minority groups.

As of March 31, 2013, women made up 46.7 per cent of the total population of permanent employees, while Aboriginal peoples represented 1.2 per cent, persons with disabilities represented 1.4 per cent and visible minorities represented 6.9 per cent.

Workforce Adjustment

The financial pressures faced by the Corporation in 2012–2013 have had a significant impact on our workforce. In April 2012, as a result of the Government of Canada's Budget 2012, we announced that up to 650 full-time equivalent positions would be eliminated over three years.

In 2012–2013, 479 positions were eliminated. The remaining workforce reductions will occur over the next two years, with the elimination of approximately 100 positions in 2013–2014 and 55 in 2014–2015. The reduction of these positions requires additional one-time spending to cover severance packages.

Employee Support

Throughout the workforce adjustment process, employees were provided with the tools and support to help them navigate this time of transition and uncertainty. All employees who were laid off because of the elimination of their positions were offered the opportunity to participate in a career transition program.

As always, our Employee Assistance Program (EAP) continued to offer employees and their families counselling and career and financial advice, as well as other confidential support, 24 hours a day, 7 days a week. Services remain available to those who leave the organization for six months following their departure. A one-hour workshop and webinar on the fundamentals of change and transition was also made available to all employees. CBC/Radio-Canada's 2012–2013 year-end EAP utilization rate is 16.8 per cent (1,510 cases, including employees, retirees and family members), demonstrating confidence in the program.

Update on the Joint Committee Process as of March 31, 2013

The joint committee process involves unions and management from CBC/Radio-Canada working together to minimize the impact on people affected by workforce adjustments. The focus is to place qualified individuals into suitable positions according to the rights afforded by their respective collective agreements and to keep the number of involuntary layoffs as low as possible. The joint committee's work is mostly complete as it relates to the reductions of 2012–2013; however, the process will be ongoing for the next two years for the respective reductions related to the 2012 Federal Budget.

Dialogue Survey

In the fall of 2012, CBC/Radio-Canada conducted a corporate-wide employee pulse survey – Dialogue 2012. The purpose of the survey was to evaluate our progress against actions taken since Dialogue 2010 (with a focus on our top two priorities: employee recognition and development), to ensure that we maintain our high levels of employee engagement and to gather feedback on key areas pertinent to our current context, such as change, innovation and well-being.

Overall results indicate that employee engagement remains very high and, since our last survey, we've made important progress in areas that will support the Corporation's ongoing transformation as a modern public broadcaster, such as challenging the status quo, inviting employees' opinions and finding innovative solutions. This was achieved thanks to everyone's commitment and efforts, which we will maintain and build upon.

The survey also highlighted areas where we need to continue to improve. These areas include recognition and development as well as improving the way we help employees navigate change.

Employee Development

CBC/Radio continues to see employee development as key to our successful evolution and fundamentally important to our employees' satisfaction with us as an employer. It's essential to ensure our workforce has the skills required to thrive amid constant change. We will continue to expand learning solutions and ensure that we deliver highly pertinent and accessible learning opportunities to enable our employees to absorb the changes we are experiencing, while maintaining a healthy environment.

Inclusion and Diversity

Accountability

Following the 2011–2012 employment equity audit conducted by the Canadian Human Rights Commission (CHRC), an employment systems review was conducted. This formed the basis of our new *Inclusion and Diversity Corporate Plan 2012–2015*, which we began implementing in June 2012. This plan focuses our efforts to remove employment barriers and expand our pools of candidates for the four designated employment equity groups.

CBC/Radio-Canada's President and CEO communicated his 2012–2013 organizational priorities to all employees through our employee portal. One of these priorities is inclusion and diversity and the importance of having a workforce more representative of the Canadian population.

HELP Fund

Every year, we invite managers to apply for the HELP (Help Energize Local Projects) Fund. This $200,000 fund helps managers reach their hiring targets through recruitment from the four designated groups (women, Aboriginal peoples, persons with disabilities, and members of visible minority groups) for internships, development opportunities and workplace accommodations. In 2012, we received close to 40 proposals, 31 of which were approved for funding.

Labour Relations and Talent Agreements

In 2012–2013, CBC/Radio-Canada renewed its collective agreements with the *Syndicat des technicien(e)s et artisan(e)s du réseau français de Radio-Canada* (STARF), from April 1, 2013 to April 1, 2014, the *Syndicat Canadien de la fonction publique* (SCFP), until September 20, 2015 and *l'Association des réalisateurs* (AR), December 13, 2012 to December 15, 2013.

In May 2012, Radio-Canada filed an application with the Canada Industrial Relations Board (CIRB) to review the bargaining structure for employees working in the province of Quebec and in Moncton, New Brunswick. A simplified structure will help the Corporation attain the flexibility and versatility needed to address business changes. It will also help create an environment that offers employees stimulating development and career opportunities.

Leaders’ Forum 2012

The 2012 Leaders’ Forum was held in Ottawa on May 23 and 24. Bringing together VPs and their direct reports along with other employees involved in the strategic planning process, the Forum gave participants the opportunity to discuss issues and suggest innovative solutions. The Forum attendees identified the following as major drivers of success at CBC/Radio-Canada: the importance of taking risks, forging ties with our colleagues and with Canadians and driving efficiencies throughout the organization.

Employee Awards

Award ceremonies were held in Montreal, Toronto and Regina in 2012 in recognition of the outstanding contributions and accomplishments of the winners of the 2011 President's Awards. The 2012 edition of the President’s Awards received 190 nominations; more than 700 nominations have been submitted over the last four years. The 12 awards are based on the President and CEO's three priorities − people, programs and pushing forward.

Changes to the Board of Directors

In 2012–2013, Rémi Racine was appointed as Chair of the CBC/Radio-Canada Board of Directors for a term of five years. Terrence Anthony Leier, Vivian Bercovici, Marni Larkin and Maureen McCaw were appointed as members of the CBC/Radio-Canada Board of Directors for terms of five years. Brian Mitchell and George T.H. Cooper were reappointed to the Board for another five-year term and a two-year term, respectively. Members whose terms expired in 2012–2013 are Timothy W. Casgrain, former Chair of the Board, as well as directors Linda Black, Edna Turpin and John Fitzgerald Young.

Changes in Executive Management

In October 2012, the Honourable James Moore, Minister of Canadian Heritage and Official Languages announced Hubert T. Lacroix’s reappointment for a second five-year term as President and CEO of CBC/Radio-Canada.

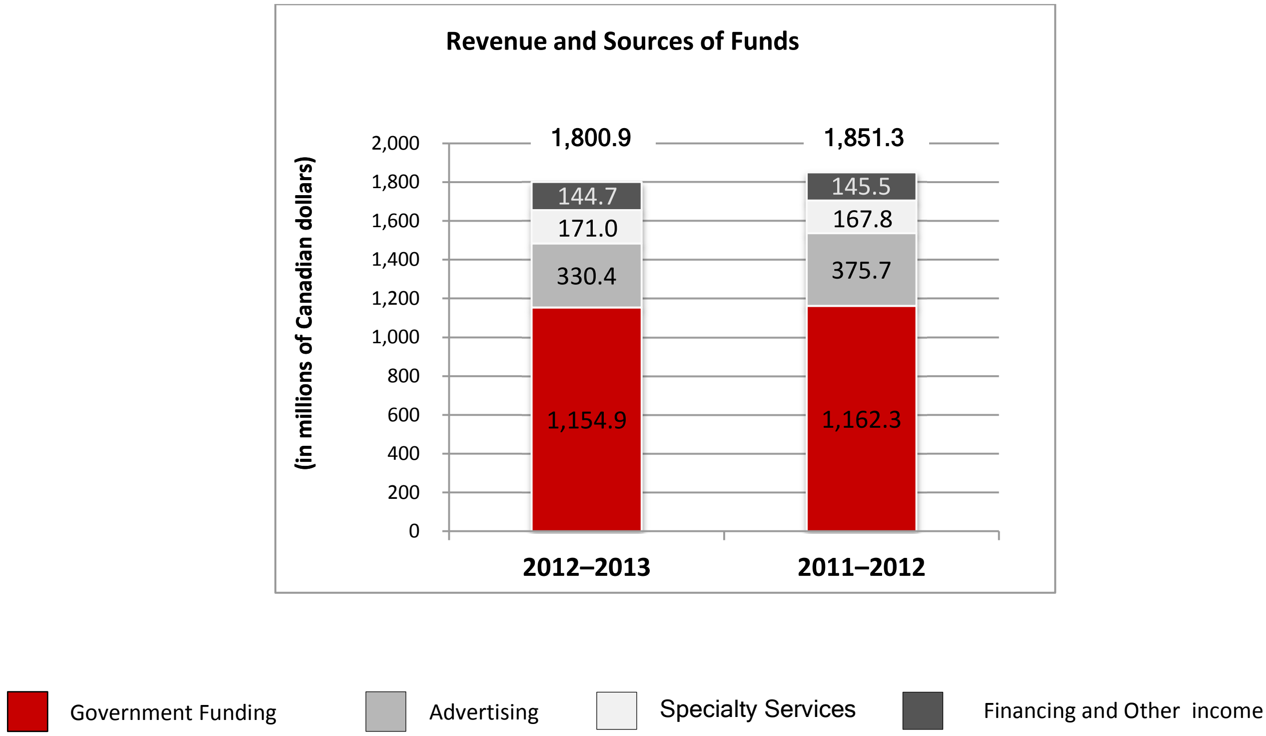
Esther Enkin, previously the Executive Editor of CBC News, was appointed as the Corporation’s new Ombudsman for English Services, effective January 1, 2013.

Michel Tremblay, Senior Vice-President, Corporate Strategy and Business Partnerships, left the Corporation at the end of June, 2012. Mr. Tremblay made a significant contribution during his almost 14 years with us, including the development of a number of corporate partnerships and assisting in the development of Strategy 2015, *Everyone, Every Way*.

Kirstine Stewart, Executive Vice President English Services, left the Corporation at the end of April, 2013. Ms. Stewart was instrumental in establishing CBC as a modern public broadcaster. A recruitment process has been launched. In the meantime, Ms. Stewart’s responsibilities have been taken up on an interim basis by Neil McEneaney, General Manager, English Services, Finance and Strategy.

3.2 Resource capacity

We have four sources of direct funding: government operational and capital funding, advertising revenue, specialty services revenue, and financing and other income.



For year-to-date variance analysis, see Section 4. Results and Outlook.

Government Funding

For the year ended March 31, 2013, government funding recognized in income represented approximately 64 per cent of total revenue and sources of funds. The federal government announced funding reductions in its Federal Budget 2012. CBC/Radio-Canada's share of this reduction will be $115 million annually by 2014–2015. This includes the elimination, over that same period, of the $60 million in one-time funding received since 2001 for Canadian programming. By the end of the current fiscal year, the total parliamentary appropriations recognized as revenue decreased by $7.5 million relative to 2011–2012. This reflects the Federal Budget 2012 decrease of $27.8 million, partly offset by higher capital funding recognized in income this year for accounting purposes following the shutdown of our analogue TV and shortwave transmitters.

Advertising Revenue

We generate revenue by selling advertising on our conventional television broadcasts and on other platforms. In the year ended March 31, 2013, advertising accounted for approximately 18.4 per cent of our total revenue and sources of funds.

Specialty Services Revenue

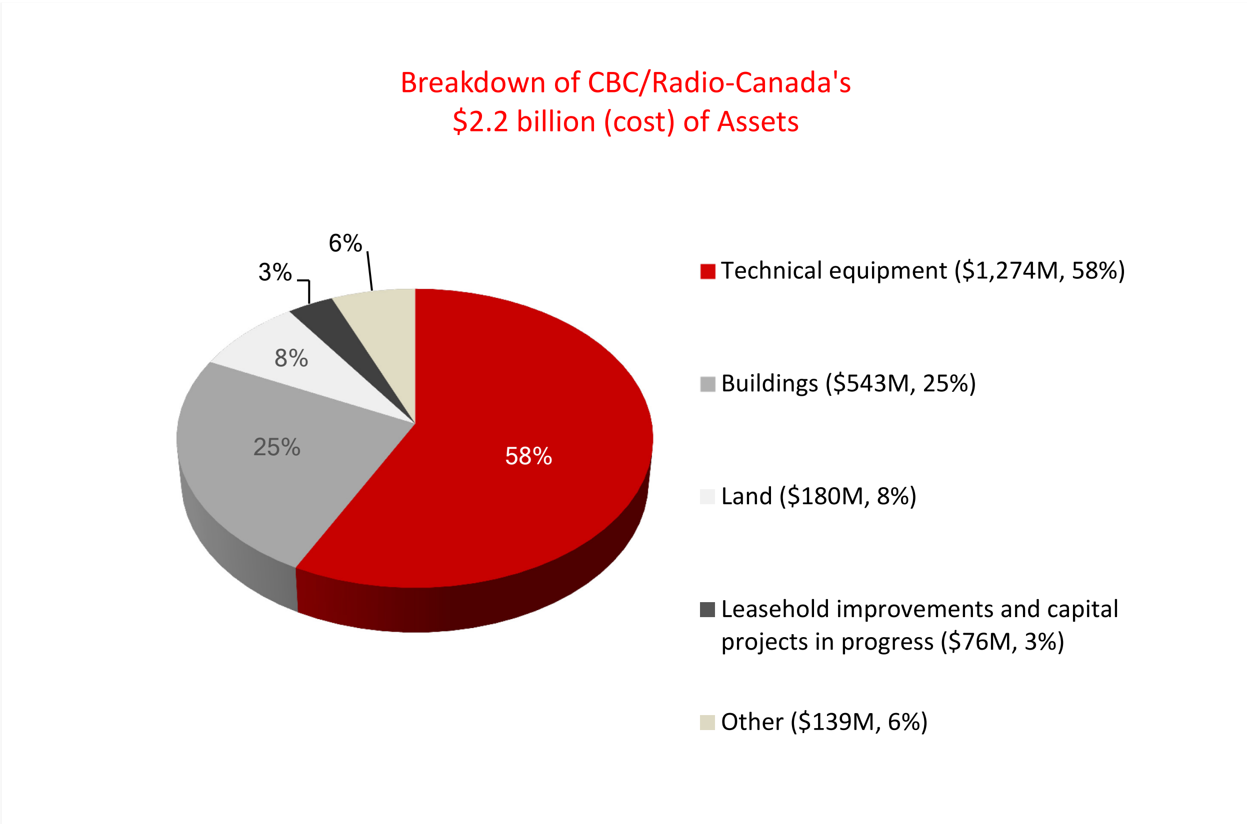
Specialty services revenue, which includes subscription revenue and advertising from CBC News Network, **bold**, *documentary*, Explora, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated approximately 9.5 per cent of total revenue and sources of funds in the year ended March 31, 2013.

Financing and Other Income

Financing and other income, which includes contributions from the LPIF and the Canadian Media Fund (CMF) and from activities such as program sales, merchandising activities, rental of mobile broadcasting vehicles to external parties, rental of real estate assets and leasing of space at our transmission sites, accounted for approximately 8 per cent of total revenue and sources of funds in the current year. Included in these funds were $37.5 million of LPIF contributions, a reduction of $8.2 million over last year, reflecting the decreased LPIF rate; this fund will be completely eliminated by August 31, 2014.

Capital Budget

CBC/Radio-Canada has a base capital appropriation from the Government of Canada of $92.3 million per year. For 2012−2013, self-generated revenue and a transfer from the operating appropriation supplemented funds available for capital expenditures, resulting in total spending of $131.5 million. As required by subsection 54(4) of the *Broadcasting Act*, we present our capital budget to the Minister of Canadian Heritage and Official Languages in our Corporate Plan and then submit it to the Treasury Board for approval.



We currently use $2.2 billion of assets in our operations. We operate one of the world's largest broadcast transmission and distribution systems, with 529 transmission sites located throughout Canada. During the year, we shut down our analogue over-the-air television transmission network. In addition to these transmission and distribution-related structures, we are responsible for a real estate portfolio of more than 4million square feet, including 24 buildings owned across Canada. We are also highly dependent on technology and technology-based assets in the production and delivery of our services.

Accordingly, we use the majority of our capital budget in any given year to maintain our assets, address obsolescence and undertake strategic projects. In all instances, the capital spending plan supports the attainment of CBC/Radio-Canada's priorities and strategies and is in line with Strategy 2015.

Borrowing Plan

The Broadcasting Act, section 46.1, confers on CBC/Radio-Canada the authority to borrow up to $220 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 for the approval of the Minister of Finance.

When the Corporation sold long-term accounts receivable in 2009 as part of its Financial Recovery Plan to address the impact of the global economic slowdown and declining television advertising revenue, it provided a guarantee to the investors in order to obtain the best possible value for selling the receivables. This guarantee was deemed to be borrowing. The outstanding amounts against the borrowing authority are:

(in thousands of dollars)	
Total borrowing authority available:	220,000
Authority used as at March 31, 2012:	
Guarantee on accounts receivable monetization	(164,577)
Remaining authority as at March 31, 2013	55,423

However, guidelines established by the Department of Finance limit our borrowing activities to short-term initiatives with a payback period of six years or less. 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.

4. Results and Outlook

4.1 Results

The selected information presented below has been derived from, and should be read in conjunction with, the audited consolidated financial statements presented starting on page 74.

Summary – Net Results

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Revenue	646,065	688,964	(6.2)
Expenses	(1,778,522)	(1,840,769)	3.4
Government funding	1,154,850	1,162,317	(0.6)
Net results before non-operating items	**22,393**	**10,512**	**113.0**
Non-operating items:			
Net gain (loss) on disposal of property and equipment	12,314	(517)	N/M
Gain on business divestitures	7,185	-	N/A
Dilution gain from merger transaction	-	25,775	N/M
Dividend income from merger transaction	-	5,094	N/M
Non-operating items	**19,499**	**30,352**	**(35.8)**
Net results for the year	**41,892**	**40,864**	**2.5**

N/A = Not applicable
N/M = Not meaningful

Our net results before non-operating items for 2012−2013 were $22.4 million, an increase of $11.9 million when compared to the previous fiscal year. Revenue decreased by $42.9 million (6.2 per cent), expenditures were reduced by $62.2 million (3.4 per cent) and government funding recognized in income decreased by $7.5 million (0.6 per cent).

Income from non-operating items of $19.5 million mainly resulted from completing several of the initiatives planned to help reduce costs. A net gain of $12.3 million was realized from the sale of property and equipment, including real estate sites at former transmission sites in Calgary and Edmonton. Additionally, a gain on business divestitures of $7.2 million was realized during the year. This amount includes a gain of $6.3 million on the sale of the **bold** specialty channel.

The following pages provide further detail and explanation of these financial results.

Revenue

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Advertising			
English Services	200,575	250,796	(20.0)
French Services	129,835	124,929	3.9
	330,410	375,725	(12.1)
Specialty services			
CBC News Network	86,554	84,437	2.5
RDI	55,343	56,022	(1.2)
bold	4,004	4,047	(1.1)
Explora	1,799	-	N/A
documentary	6,215	5,644	10.1
ARTV	17,076	17,604	(3.0)
	170,991	167,754	1.9
Financing and other income			
English Services	55,835	57,145	(2.3)
French Services	45,327	46,750	(3.0)
Corporate Services	43,502	41,590	4.6
	144,664	145,485	(0.6)
TOTAL	**646,065**	**688,964**	**(6.2)**

N/A = Not applicable

The following paragraphs describe the key movements in our significant revenue streams.

Advertising

English Services advertising revenue decreased by $50.2 million (20 per cent). This primarily reflected the impact of the NHL lockout this year which shortened the regular season schedule broadcast on *Hockey Night In Canada*. In comparison, 2011−2012 benefited from strong playoff hockey revenue when the Vancouver Canucks reached the Stanley Cup finals.

Advertising revenue for French Services increased by $4.9 million (3.9 per cent) in 2012−2013 compared to the previous year. All platforms experienced revenue growth this year, with the main network and web and mobility platforms achieving the highest levels of growth. Increases in advertising minutes combined with better management of inventory and the development of brand integration initiatives were the main factors contributing to the growth.

Specialty Services

Specialty Services revenue increased by $3.2 million (1.9 per cent) compared to the previous fiscal year.

CBC News Network is widely available across Canada, currently in 11.3 million cable and satellite homes. The year-over-year revenue growth of $2.1 million (2.5 per cent) was mainly due to higher advertising revenue resulting from the strong audience levels.

Our new Radio-Canada specialty service, Explora, generated $0.7 million in advertising revenue and $1.1 million in subscriber revenue since its launch on March 28, 2012. This new channel was distributed free of charge during its first quarter of operation.

Financing and other income

Financing and other income decreased by $0.8 million (0.6 per cent) this year.

In English Services, the decrease was mostly due to a reduction of $4.1 million in LPIF contributions due to the lower rate effective September 1, 2012. This was partly offset by increased revenue of $3.0 million from the Canada Media Fund.

For French Services, the decrease was also attributable to a $4.1 million reduction in LPIF contributions, partly offset by increased revenue from facility rentals, content sales, commercial productions and from the Canada Media Fund.

Corporate Services' revenue increased by $1.9 million in 2012−2013 compared to last fiscal year. Several miscellaneous sources of income increased, including revenue from a new lease agreement at the Toronto Broadcasting Centre and increased interest income recognized during the year.

Operating Expenses

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Television, radio and new media services			
English Services	854,396	916,437	(6.8)
French Services	647,456	664,032	(2.5)
	1,501,852	1,580,469	(5.0)
Specialty services			
CBC News Network	64,971	68,991	(5.8)
RDI	41,565	43,594	(4.7)
bold	2,387	3,906	(38.9)
Explora	3,918	-	N/A
documentary	3,489	3,625	(3.8)
ARTV	13,822	14,112	(2.1)
	130,152	134,228	(3.0)
Other operating expenses			
Transmission, distribution and collection	103,465	78,449	31.9
Corporate management	10,391	11,423	(9.0)
Payments to private stations	2,527	2,766	(8.6)
Finance costs	31,836	33,455	(4.8)
Share of profit in associate	(1,701)	(21)	N/M
TOTAL	**1,778,522**	**1,840,769**	**(3.4)**

N/A = Not applicable
N/M = Not meaningful

The following paragraphs describe the key movements in our significant expenditure streams.

Television, radio and new media services

English Services' expenses decreased by $62.0 million (6.8 per cent) compared to last year. The decrease was mainly due to lower hockey production and rights costs as a result of the NHL lockout and also to other reductions in programming spending, in particular the non-renewal of the *Wheel of Fortune* and *Jeopardy!*.

French Services' expenditures were down $16.6 million (2.5 per cent) compared to 2011−2012. The decrease was mainly due to the implementation of initiatives to manage the federal funding reductions and from decreased LPIF contributions. This has resulted in lower television and radio programming costs and to lower programming costs following the transformation of Radio Canada International from a shortwave service to a web offering.

Both English and French Services costs improvements were partly offset by one-time severance costs associated with the elimination of positions following Federal Budget 2012.

Specialty Services

CBC News Network expenses decreased from last year by $4.0 million (5.8 per cent). This reduction was primarily due to efficiencies realized in the processes used by the organization to gather news.

RDI expenses were also lower than last year by $2.0 million (4.7 per cent). This was mainly due to lower programming costs this year following federal funding reductions.

As a result of the sale of **bold**, there were no program acquisitions and reduced program amortization this year, resulting in overall cost decreases for the specialty channel of $1.5 million (38.9 per cent).

These overall decreases in expenditures were partially offset by new costs incurred following the launch of our new Radio-Canada specialty service, Explora, at the end of March 2012.

Other operating expenses

The expenditure increase of $25.0 million (31.9 per cent) in Transmission, distribution and collection was due primarily to the cessation of the shortwave transmission of RCI programming and the acceleration of the shutdown of the remaining analogue TV transmitters. This resulted in one-time depreciation, impairment charges and the recognition of decommissioning costs, all of which were partly offset by savings realized from the cessation of these activities.

Corporate management expenses were lower by $1.0 million (9.0 per cent) as a result of cost savings initiatives including reduced management salary, travel, office and consulting costs.

Finance costs decreased by $1.6 million (4.8 per cent), reflecting the decreasing interest portion of financing leases, mostly for the Toronto Broadcasting Centre and satellite leases.

The current year's share of profit in associate reflects our holding of Sirius Class B shares.

Government Funding

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Parliamentary appropriations for operating expenditures	999,484	1,028,047	(2.8)
Parliamentary appropriations for working capital	4,000	4,000	N/A
Amortization of deferred capital funding	151,366	130,270	16.2
TOTAL	**1,154,850**	**1,162,317**	**(0.6)**

N/A = Not applicable

Parliamentary appropriations for operating expenditures decreased by $28.6 million (2.8 per cent) compared to 2011−2012. Most of this decrease, $27.8 million, represents the initial phase of an overall reduction of $115.0 million per annum that is being phased in over three years as part of Federal Budget 2012.

Capital funding received is recorded as deferred capital funding. It is amortized and recognized as revenue over the same periods as the related property, equipment, equipment under capital lease, and intangible assets are used in CBC/Radio-Canada’s operations. The increase of $21.1 million over last year (16.2 per cent) was mainly due to accelerated depreciation triggered by the shutdown of analogue TV and shortwave assets.

Non-Operating Items

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Net gain (loss) on disposal of property and equipment	12,314	(517)	N/M
Gain on business divestitures	7,185	-	N/A
Dilution gain from merger transaction	-	25,775	N/M
Dividend income from merger transaction	-	5,094	N/M
Non-operating items	**19,499**	**30,352**	**(35.8)**

N/A = Not applicable
N/M = Not meaningful

An overall net gain of $12.3 million on the disposal of property and equipment this year was achieved largely from successful real estate transactions. Gains on the sale of real estate assets totalled $19.5 million, with significant sales during the year including transmission sites in Calgary and Edmonton. These gains were partially offset by non-operating losses recorded on asset disposals as we continue to invest in new transmission and technical equipment. This will allow us to expand our digital presence in 2013−2014 as part of Strategy 2015.

A gain on business divestitures of $7.2 million was mainly due to completing the disposition of the **bold** specialty channel to Blue Ant Media as announced during the first quarter of 2012−2013. Additionally, we recognized a gain of $0.9 million during the year for selling a share warrant we held with Stingray Digital Group Inc. This warrant related to the 2007 transaction pertaining to the CBC's Galaxie pay audio undertaking.

Other non-operating items in 2011−2012 were mostly attributed to a non-cash dilution gain and dividend income from the merger transaction of Sirius Canada/CSR, in which we are invested.

Total Comprehensive Income (Loss)

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Net results for the year	**41,892**	**40,864**	**2.5**
Other comprehensive loss			
Actuarial losses on defined benefit plans	(52,522)	(301,815)	82.6
Net unrealized gain on available-for-sale financial assets	-	94	N/M
Reclassification to income of net unrealized gain on available-for-sale financial assets realized on merger transaction	-	(5,094)	N/M
Total other comprehensive loss	(52,522)	(306,815)	82.9
Total comprehensive loss for the year	**(10,630)**	**(265,951)**	**96.0**

N/M = Not meaningful

The total other comprehensive loss recognized in 2012−2013 was $52.5 million, compared to a loss of $306.8 million in the previous year, mostly due to fluctuations in our pension plan's obligations and assets. These values fluctuate significantly when actual results or interest rates differ from actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income in each reporting period.

The $52.5 million of actuarial losses on defined benefit plans this year was due mainly to a decrease in the discount rate applied to the pension obligation from 4.25 per cent to 4.00 per cent, due to declining yields on long-term high quality Canadian corporate bonds, contributing to actuarial losses of $212.9 million. This was partially offset by:

- a $156.3 million actuarial gain arising from a higher than expected actual return on plan assets (9.1 per cent actual vs. 6.0 per cent expected);
- a $4.1 million actuarial gain due to the plan experience and a change in assumptions used in determining the obligation on other non-pension post-employment benefits.

We expect that macroeconomic factors will continue to have an impact on discount rates and asset returns used in determining the actuarial gains and losses during 2013−2014. Consequently, values will continue to fluctuate significantly.

In addition, our 2011−2012 results included a loss of $5.1 million resulting from the non-cash reclassification to income of amounts from the Sirius merger transaction.

Further information on our pension plan is provided in Note 16 to our financial statements.

4.2 Financial condition, cash flow and liquidity

Our main sources of liquidity are parliamentary appropriations for operating, capital and working capital requirements, and commercial activities such as advertising. As a result of Federal Budget 2012, we will see our annual appropriations reduced by $115.0 million over three years, with an initial reduction of $27.8 million confirmed for 2012−2013. This will grow to a $69.6 million reduction scheduled for 2013−2014 prior to the full reduction of $115.0 million in 2014−2015. Additionally, $47.1 million in funding from LPIF will be phased out by August 31, 2014.

In response to these reductions, and to one-time restructuring costs and additional financial pressures inherent in funding the business and pursuing Strategy 2015, we have implemented a $200 million financial plan that will allow us to continue to match our planned operating expenses with available financial resources. This plan includes sourcing new television and radio advertising to partially offset the reduction in government appropriations, combined with reducing operating and capital requirements through various cost reduction initiatives. However, these pressures will result in a decrease of certain programming.

Our cash flows from operating, investing and financing activities for 2012−2013 are summarized in the following table. Our cash balance at March 31, 2013 was $51.5 million, compared to $64.3 million at March 31, 2012.

Cash Position

	For the year ended March 31		
(in thousands of dollars)	**2013**	**2012**	**% change**
Cash - beginning of year	**64,277**	**63,224**	**1.7**
Cash from operating activities	4,149	19,419	(78.6)
Cash used in financing activities	(58,389)	(58,272)	(0.2)
Cash from investing activities	41,422	39,906	3.8
Net change	(12,818)	1,053	N/M
Cash - end of year	**51,459**	**64,277**	**(19.9)**

N/M = Not meaningful

Cash from operating activities

Cash received from operating activities was $4.1 million this year, a decrease of $15.3 million compared to last year. This reduction was primarily due to higher amounts of cash used this year to fund working capital.

Cash used in financing activities

Cash outflows for financing activities were consistent with 2011−2012. Cash of $58.4 million in the current year and $58.3 million in 2011−2012 was for interest, semi-annual repayments of the Toronto Broadcasting Centre bonds, payments of notes payable, and to meet obligations under finance leases.

Cash from investing activities

Investing activities generated cash of $41.4 million this year, an increase of $1.5 million compared to last year. This year we received $20.8 million from the disposal of surplus property and equipment, compared to $10.3 million of proceeds last year. In addition, this year we generated additional proceeds of $10.0 million from the sale of **bold**, resulting in an accounting gain of $6.3 million.

This increase in cash from investing activities was partially offset by $6.4 million of additional purchases of property, equipment and intangible assets relative to last year as we continue to invest in new technology. Last year's activities also included a $9.9 million return of capital on our investment in Sirius/CSR, and a $5.1 million dividend received in connection with the Sirius/CSR merger.

4.3 Seasonality and Quarterly Financial Information

The following table shows condensed financial data for the previous eight quarters. This quarterly information is unaudited, but has been prepared on the same basis as the annual consolidated financial statements. We discuss the factors that caused our results to vary over the past eight quarters throughout this management discussion and analysis.

	For the year ended March 31, 2013					For the year ended March 31, 2012				
(in thousands of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenue	182,705	126,970	159,679	176,711	646,065	180,145	128,076	195,967	184,776	688,964
Expenses	(501,434)	(384,829)	(411,651)	(480,608)	(1,778,522)	(471,615)	(389,573)	(467,535)	(512,046)	(1,840,769)
Government funding	303,048	269,377	241,285	341,140	1,154,850	277,882	291,008	269,855	323,572	1,162,317
Net results before non-operating items	**(15,681)**	**11,518**	**(10,687)**	**37,243**	**22,393**	**(13,588)**	**29,511**	**(1,713)**	**(3,698)**	**10,512**
Non-operating items	(496)	(628)	19,354	1,269	19,499	42,864	(13,439)	9,563	(8,636)	30,352
Net results for the period	**(16,177)**	**10,890**	**8,667**	**38,512**	**41,892**	**29,276**	**16,072**	**7,850**	**(12,334)**	**40,864**

Our operating results are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results. Excluding government appropriations, approximately 55 per cent of the Corporation's funds come from advertising revenue that tends to follow a seasonal pattern, with the second quarter of each financial year typically being the lowest because the summer season attracts fewer viewers. This can be seen in the quarterly results above. Advertising revenue also varies according to market and general economic conditions and the programming schedule. Lower revenues for the third and fourth quarters of 2012−2013 were primarily due to the impact on advertising revenue of the NHL lockout and other programming reductions in accordance with our cost-reduction initiatives.

Expenses also tend to follow a seasonal pattern because they are influenced by the programming schedule. As the table above shows, expenses were relatively lower in the second quarters of 2012−2013 and 2011−2012. Operating expenses tend to be higher in the fourth quarter as the Corporation incurs costs preparing for the fall broadcasting season and completes project deliverables due by the end of the fiscal year. High expenses in the first quarter of 2012−2013 were mostly attributable to one-time restructuring initiatives associated with cost reductions following Federal Budget 2012 and other financial pressures. Comparatively lower expenses in the third and fourth quarters of 2012−2013 are consistent with these cost reduction measures implemented, and were also due to the NHL lock-out which reduced our required costs of programming.

Government funding is recognized in the Corporation’s income based on budgeted net expenses for the quarter. Monthly and 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 on expenditures and self-generated revenue.

Other factors may impact net results from quarter to quarter. These may include items such as finance costs on borrowings, foreign exchange gains or losses, changes to the fair value of derivative financial instruments, asset impairments and sales. When appropriate, these are recorded as non-operating items. As indicated in the table above, the Corporation recorded higher levels of non-operating gains and losses in 2011−2012 compared to 2012−2013, due largely to acquisition and financing activities related to Sirius Canada/CSR, in which the Corporation is invested.

4.4 Outlook

In 2012−2013, we started to implement the three-year financial plan announced on April 4, 2012 following the Federal Budget 2012 appropriation reductions of $115 million. The financial plan is being closely monitored and adjusted as required to continue to allow us to meet two key objectives: (i) maintain our capacity to fulfill our mandate under the Broadcasting Act, and (ii) continue to drive Strategy 2015 by delivering high-quality Canadian programming, enhancing our regional presence and local impact and investing more in digital platforms. Nonetheless, there are significant challenges ahead.

We are looking at our real estate portfolio to generate more revenues as we seek to exit some buildings that we own to become tenants in more efficient and less-costly premises or to rent out vacant space in other buildings. During 2012−2013, we signed a long-term lease to rent vacant space of approximately 168,000 square feet at the Toronto Broadcasting Centre, and plans are underway to move from two owned buildings in Halifax into one rented facility. As for the Montreal facility, we have initiated a Request for Proposals to consider redevelopment options.

The success of the plan will also depend heavily on the strength of the advertising market and our overall revenue performance. On May 28, 2013, the CRTC announced its decision to allow limited advertising on CBC Radio 2 and Espace musique. We are currently assessing the impact of this decision.

We developed budget measures to deal with the CRTC's decision to gradually eliminate the LPIF by August 31, 2014. Strategy 2015 has been adjusted to reflect the end of this funding while minimizing the impact on programming and protecting the strategy's core elements. Some of the LPIF funded improvements to services will be maintained. However, given the magnitude of the reduction, other priorities will be affected such as: English Services' local service extension strategy, the cross-cultural programming fund and French Services' non-news programming in the regions.

Now that Strategy 2015 is well underway, we are looking "Beyond 2015". We've started reflecting on what the national public broadcaster will be in the future.

Cost containment measures announced in Federal Budget 2010 included the elimination of salary inflation funding from 2010−2011 through to 2012−2013. This freeze is now over and CBC/Radio-Canada is expecting this funding to resume in 2013−2014, although this has not yet been confirmed by Treasury Board.

CBC's broadcast and digital rights contract with the NHL ends in June 2014. We are now pursuing renewal negotiations.

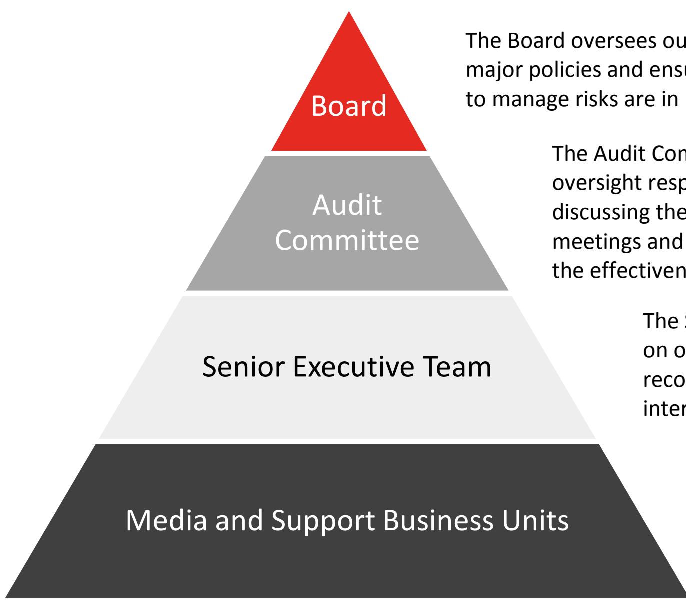
A number of collective agreements must be re-negotiated between 2013 and 2014. The successful negotiation of settlements with unions has important economic, brand and labour relations impacts.

On August 1st, 2012, the International Olympic Committee announced that CBC/Radio-Canada had been awarded the Canadian broadcast rights for the Sochi February 2014 Olympic Winter Games and the Rio August 2016 Olympic Summer Games. This will significantly increase both revenues and expenses in 2013−2014 and in 2016−2017. We expect to at least breakeven on these events.

4.5 Risk Management and Key Risk Table

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. As a public broadcaster with a statutory mandate to serve all Canadians, we also face unique public expectations, financial challenges and risks.

Our Risk Management Program is part of an enterprise-wide approach integrated into business processes. Responsibility for risk management is shared among our Board of Directors, the Board's Audit Committee, the Senior Executive Team and operational units.



The Board oversees our key risks at a governing level, approves major policies and ensures that the processes and systems required to manage risks are in place.

The Audit Committee of the Board discharges its stewardship and oversight responsibilities over risk management by monitoring key risks, discussing their status with management at quarterly Audit Committee meetings and ensuring that management has programs for evaluating the effectiveness of internal controls.

The Senior Executive Team identifies and manages risks, reports on our key risks to the Audit Committee and the Board, recommends policies and oversees financial reporting and internal control systems.

Media and support business units initially identify and assess risks through the annual business plan process, and develop and execute detailed plans to manage risks. Risks are prioritized based on their potential impacts and their likelihood of occurring.

Internal Audit plans its audits in accordance with the results of the risk assessment process and provides assurance that major risks are covered on a rotational basis by the annual audit plan.

The following table discusses the key risks faced by CBC/Radio-Canada during fiscal 2012−2013 and the ongoing impact into 2013−2014.

Key Risks	Risk Mitigation	Future Impact
1. Regulatory Issues		
A. Licence Renewal		
The CRTC decision was issued on May 28, 2013. The decision establishes our ability to generate new revenue by adding advertising and sponsorships to CBC Radio 2 and Espace musique. The decision is for a temporary period of three years and the maximum advertising minutes allowed of four minutes per hour are less than those we requested. This initiative is part of our plan to address the Budget 2012 funding reduction of $115 million.	Review impacts of conditions of licence and address as required.	We will need to request approval from CRTC to continue advertising on Radio 2 and Espace musique beyond August 31, 2016. Other budget measures will need to be implemented if radio advertising revenue targets cannot be achieved.
B. Music Rights, Royalties and Tariffs		
Renewal of key music rights deals with copyright holders may impact revenues and our service strategy. Copyright collectives are seeking new or increased tariffs on music performing and music reproduction rights. Royalty payment methods must take into account that the business model is shifting toward multiplatform delivery of works.	Continue active and proactive relationship building with all music rights holders to renew on mutually acceptable terms. Continue to negotiate with collectives. Review, assess and apply changes brought forth by the new Copyright Act and its impact on tariffs, where applicable.	Continue with identified strategies into 2013−2014.
C. Terms of Trade with Independent Television Producers		
Negotiations on terms of trade (rights, contribution, other business terms) for CBC with Canadian Media Production Association (CMPA) and Radio-Canada with Association des Producteurs de Films et de Télévision du Québec (APFTQ) regarding independently produced programming continue into 2013−2014. The terms of trade will affect the cost of independent programs. The CRTC licence renewal decision has imposed a deadline of May 28, 2014 to finalise the negotiation of terms of trade contracts.	Continue negotiating the terms of trade contracts to benefit the interests of both CBC/Radio-Canada and independent producers.	Continue with identified strategies into 2013−2014.

<table>
<tr><th>Key Risks</th><th>Risk Mitigation</th><th>Future Impact</th></tr>
<tr><td>D. Canada Media Fund (CMF)

There are two sources of risk: (1) CMF rule changes or changes to how the CMF allocates funds to broadcaster performance envelopes could result in narrower program rights and/or higher contributions required from CBC/Radio-Canada; and (2) the overall CMF pool is dependent on the overall profitability of Broadcast Distribution Undertakings (BDUs) that contribute up to 5 per cent of their gross revenues to the fund.</td><td>Proactively advance our position with the CMF, including participation in the CMF National Focus Group.</td><td>CBC/Radio-Canada’s 2013–2014 CMF allocation is $7.6 million lower than last year’s allocation, due to changes in allocation factors and a reduced overall CMF pool. Contingency plans have been implemented to offset the financial impact, but this will lead to reduced Canadian programming on our television schedule.</td></tr>
<tr><td>E. Bill C-461 (Reforms to Access and Privacy Laws)

A private member’s bill has been tabled in Parliament that would impact CBC/Radio-Canada. Bill C-461 includes two key elements:

(1) An amendment to the Privacy Act that would remove privacy protections on individual salary information for those who earn more than a specified salary per year. The release of the exact salary of individuals could negatively impact the Corporation in a highly competitive business environment; and

(2) An amendment to the Access to Information Act and the Privacy Act to modify the current protections for “journalistic, creative or programming activities” would introduce uncertainty around the rules governing access to our journalistic, creative and programming material.</td><td>Continue to share our views with the Standing Committee on Access to Information, Privacy and Ethics.

Continue to produce and distribute the Transparency and Accountability Bulletin, which provides updates on progress we are making in managing Access to Information (ATI) requests.

Continue to manage the information published on the corporate website’s Proactive Disclosure section. Facilitate access to existing information on the corporate website.

Continue to invest in improving the management and processing of ATI requests.</td><td>Develop, amend and/or implement processes to comply with any new regulatory requirements.</td></tr>
<tr><td>F. Channel Carriage

CBC/Radio-Canada is the only major television broadcaster in Canada without distribution affiliations. There is a concern that carriage terms offered by Broadcast Distribution Undertakings (BDUs) will favour their own associated specialty services at the expense of our specialty services. Risks to the Corporation include BDUs dropping our existing television services that are not mandatory carriage, delaying the launch of new specialty services or decreased revenue from BDUs for carrying our specialty television services.</td><td>Strategic discussions with BDUs focusing on overall value of the programming services offered, and negotiation of long-term agreements with terms that protect or enhance current carriage and revenues.</td><td>Continue with identified strategies into 2013–2014.</td></tr>
</table>

Key Risks	Risk Mitigation	Future Impact
2. Renewal of NHL Professional Hockey Broadcast and Digital Rights CBC's broadcast and digital rights contract ends in June of 2014.	CBC is pursuing renewal negotiations for an NHL rights package.	Continue with identified strategies into 2013–2014.
3. Union Relations A. Section 18.1 Radio-Canada Union Consolidation A long-term strategy for more operational flexibility from our Radio-Canada unions would improve the working relationship between management and these unions and assist in the achievement of Strategy 2015.	Continue the process before the Canada Industrial Relations Board (CIRB) to review the existing structure of the French Services bargaining units with a view to consolidating the unions.	Hearings before the CIRB are continuing and a decision is expected in 2014 as to the bargaining structure.
B. Contract Expiries A number of collective agreements must be re-negotiated between 2013 and 2014. The successful negotiation of settlements with unions has important economic, brand and labour relations impacts.	Continue to reinforce business needs in terms of flexibility and ensure that collective bargaining reflects these needs. Involve unions in discussions relating to economic challenges and encourage input into managing risks. Ensure communications activities are identified and implemented with union leaders before launching business strategies and initiatives.	Identified strategies will continue into 2013–2014.

Key Risks	Risk Mitigation	Future Impact
C. Bill C-60 On April 29, 2013, the Federal Government tabled the 2013 implementation bill C-60, which includes proposals to change the collective bargaining process at Crown Corporations, including CBC/Radio-Canada. The proposals open the possibility that the Governor in Council directs Treasury Board to oversee and authorise the negotiating mandate of unionised employees as well as terms and conditions of employment of non-unionised staff.	Share our views with the Standing Committee on Finance Review and address the proposed legislation, the actual legislation and order-in-council, if enacted.	The implementation of Bill C-60 may impact negotiations with bargaining units, and may give rise to conflicts with the *Broadcasting Act* and *the Canadian Charter of Rights and Freedoms*.
4. Workforce Challenges – Training and Empowering a Skilled Workforce The proper staff skill set is necessary to meet the transformation needs of Strategy 2015. The plan's three strategic thrusts (Programming, Regional, Digital) will require a major transformation in production methods, to ensure a smooth transition to a model that's more efficient, digital, and multiplatform. Managers and employees require skill set to adapt to an accelerated pace of change.	Leverage findings from Pulse Survey to identify areas of development to enable transformation and strategic talent management. Develop and implement a change management strategy to increase the organization's and managers' capacity to lead and support change.	Identified strategies will continue into 2013–2014.
5. Infrastructure Replacements and Optimization Excess space and infrastructure affects operations and budgets.	We are accelerating our plan to reduce our overall real estate footprint. Continue with plan to reduce our overall real estate footprint by more than 800,000 square feet by 2017. In the shorter term, we will pursue the sale of some CBC/Radio-Canada-owned buildings, and shift from owner to tenant and look to lease our vacant space in the remaining buildings.	We have undertaken the next phase of our redevelopment initiative for our Montreal facility. Requests for proposals for the Maison de Radio-Canada project were issued to pre-qualified proponents in June.

Key Risks	Risk Mitigation	Future Impact
6. Budget Concerns A. Government Funding Federal Budget 2012 reduced CBC/Radio-Canada parliamentary appropriations by $115 million over three years. There is a risk that the initiatives identified to reduce costs and increase revenues will not achieve expected outcomes.	Continue to implement initiatives to reduce costs and increase revenues. Ongoing management and review of the initiative implementations to ensure expected outcomes are achieved.	Continue with identified strategies into 2013–2014.
B. Impact on Advertising Revenue Advertising revenue is influenced by a number of factors, including economic uncertainty, migration of ad revenue from conventional to specialty and digital services, program audience share and rating performance, competing advertising opportunities in the marketplace and disruption to programming rights agreements, such as the shortened 2012–2013 NHL season. Uncertain economic conditions compound the risks associated with the Corporation’s plans to increase advertising revenue to offset some of the government funding reductions announced in Federal Budget 2012.	We are closely monitoring advertising revenue performance and have developed contingency plans.	Underachievement of advertising revenue targets may require further reduction of expenditures and changes to Strategy 2015 implementation plans.

5. Financial Reporting Disclosure

5.1 Future Accounting Standards

For a description of future changes in accounting standards, see Note 2 of the consolidated financial statements.

5.2 Critical Accounting Estimates

For a description of critical accounting estimates, see Note 4 of the consolidated financial statements.

5.3 Transactions with Related Parties

The Corporation through the normal course of business is involved in transactions with related parties. See Note 29 to the consolidated financial statements.

Financial Review

Internal Controls

The Corporation has an internal control program based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework which involves periodic reviews of key controls over financial reporting. This program continues to evolve towards industry best practices, with an aim to maintain and strengthen policies and procedures that ensure the reliability of financial information and the safeguarding of assets.

A dedicated internal control team reviews and evaluates internal controls on an ongoing basis. The internal control program is also supported by the completion of audit work performed by the Corporation's internal auditors, who conduct audits and reviews (some of which relate to financial reporting and operations) that are identified using a risk-based approach and agreed upon through discussions with the Corporation and its Audit Committee.

In 2012–2013, the Corporation assessed the effectiveness of certain key internal controls over financial reporting. The assessment concluded that those controls were operating effectively and identified some opportunities for improvement. Some improvements have already been made and the Corporation will continue to address opportunities for improvement in the coming year.

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements and all other information presented in this Annual Report are the responsibility of management and have been reviewed and approved by the Board of Directors of the Corporation. These consolidated financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been properly prepared within reasonable limits of materiality and are in accordance with International Financial Reporting Standards.

Management of the Corporation maintains books of account, records, financial and management controls, and information systems, which are designed to provide reliable and accurate financial information on a timely basis. The controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that the operations of the Corporation are carried out effectively, and that transactions are in accordance with the applicable provisions of Part X of the *Financial Administration Act* and regulations, Part III of the *Broadcasting Act* and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual consolidated financial statements and reports on his audit to the Minister of Canadian Heritage and Official Languages.

The Board of Directors' Audit Committee, which consists of five members, none of whom is an officer of the Corporation, reviews and advises the Board on the consolidated financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the internal auditor and the Auditor General on a regular basis to discuss the financial reporting process, as well as auditing, accounting and reporting issues.

Hubert T. Lacroix,
President and Chief Executive Officer

Suzanne Morris,
Vice-President and Chief Financial Officer

Ottawa, Canada
June 19, 2013