



ENTERTAINMENT

***First Quarter 2011
Report to Shareholders***

***For the Three Months Ended November 30, 2010
(Unaudited)***

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CORUS ENTERTAINMENT INC.
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HIGHLIGHTS

Financial Highlights

(These highlights are derived from the unaudited consolidated financial statements)
(unaudited)

| | Three months ended | |
|--------------------|--------------------|----------------|
| | November 30, | |
| | 2010 | 2009 |
| Revenues | | |
| Radio | 73,134 | 71,074 |
| Television | 167,517 | 151,255 |
| | 240,651 | 222,329 |
| Segment profit | | |
| Radio | 22,157 | 21,821 |
| Television | 78,100 | 67,068 |
| Corporate | (7,960) | (5,664) |
| | 92,297 | 83,225 |
| Net income | 46,221 | 73,908 |
| Earnings per share | | |
| Basic | \$ 0.57 | \$ 0.92 |
| Diluted | \$ 0.56 | \$ 0.91 |

Significant Events in the Quarter

- On September 7, 2010, the Company's Nelvana Studio, in partnership with HIT Entertainment, announced the production of a new CGI-animated preschool series *Mike the Knight*. Created by Alexander Bar (*Lunar Jim*) and written by Marc Seal (*Bob the Builder*), the series will premiere in Canada on Treehouse in fall 2011.
- On September 16, 2010, the Company's Nelvana Enterprises announced that its CGI-animated series, *Babar and the Adventures of Badou*, will make its broadcast debut in the U.S. on Disney Channel's learning-focused Playhouse Disney programming block for preschoolers.
- On September 28, 2010, the Company officially opened Corus Quay. Corus Quay integrates advanced digital technologies and automated systems that transform Corus' broadcast and content businesses; making Corus Quay one of America's most advanced broadcast facilities and Toronto's smartest building.
- On September 28, 2010, the Company announced its partnership with Supernova Interactive to launch the first integrated social network with a mandate to recommend new independent music for play on Corus Radio's new music stations.
- On September 29, 2010, the Company and OWN: The Oprah Winfrey Network announced a licensing agreement that enables Corus to add OWN to its portfolio of Canadian specialty services. OWN is set to launch in Canada in early 2011 following its U.S. premiere on January 1, 2011.
- On September 29, 2010, the Company held its annual Investor Day and updated investors on its fiscal 2011 strategic priorities. The Company also provided its fiscal 2011 guidance targets of consolidated segment profit of \$285 to \$295 million and free cash flow in excess of \$100 million.
- On September 30, 2010 and October 29, 2010, the Company paid a monthly dividend of \$0.049585 and \$0.05 to holders of its Class A and Class B Shares, respectively.

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- On October 6, 2010, the Company, in partnership with MTV Networks International, expanded its digital offerings to Canadian advertisers by acquiring the Canadian rights to four websites. Corus will become the exclusive Canadian representative for the popular sites AddictingGames.com, Shockwave.com, neopets.com and CMT.com.
- On October 27, 2010, the Company announced that its Board of Directors had approved a 25% increase in its annual dividend. The Company's monthly dividend for holders of its Class A and Class B Shares was increased to \$0.062083 and \$0.0625, respectively or \$0.745 and \$0.75, respectively on an annual basis.
- On October 29, 2010, Corus announced the appointment of Chris Pandoff as Executive Vice President and President of Corus Radio. Mr. Pandoff assumed his new role effective December 1, 2010.
- On November 30, 2010, the Company paid a monthly dividend of \$0.062083 and \$0.0625 to holders of its Class A and Class B shares respectively.

Significant Events Subsequent to the Quarter

- On December 6, 2010, Corus announced that as a preview to the March 1, 2011 launch of OWN: The Oprah Winfrey Network in Canada; W Network and VIVA are set to air weekly two-hour nested blocks with programming from the soon-to-launch channel throughout January and February. The nested blocks on W Network will run every Friday night at 9 p.m. ET through February 25, 2011. Additional blocks on VIVA will run Fridays at 12 a.m. ET, Sundays at 2 p.m. ET and 9 p.m. ET and Mondays at 8 p.m. ET.
- On December 10, 2010, it was announced that in Germany, Beyblade: Metal Fusion spinning tops, marketed by the brand management and media company m4e AG and manufactured by Hasbro, have become the number-one toy with more than 500,000 units sold since September 2010. The boys animation series from d-rights and Nelvana Enterprises premiered in September 2010 on Nickelodeon in Germany. A new toy-products line with further spinning tops including accessories will be on the worldwide market by the fall 2011.
- On December 16, 2010, Corus announced a new 10-year agreement with John Derringer and Toronto's classic rock station, Q107. With this long-term agreement, John will continue in his role as the morning drive host of *Derringer in the Morning*.
- On December 17, 2010, Corus Entertainment's Movie Central announced a new and exclusive slate of first-run Showtime programming with the return of *Californication*, and the debut of brand-new, buzz-heavy series *Shameless* and *Episodes*. Airing back-to-back, the three series will anchor the Monday night line-up beginning Monday, January 10, 2011.
- On December 17, 2010, the CRTC approved Cogeco Inc.'s acquisition of 11 Quebec radio stations from Corus. The stations were purchased from Corus for \$80 million. The transaction will close February 1, 2011.
- On December 22, 2010, the CRTC announced the public hearing for the so-called group-based television license renewal process. Corus and its related company, Telelatino filed renewal applications for their television operations as part of this process. The public hearing is scheduled to commence on April 4, 2011 with a public intervention deadline set for February 9, 2011.

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Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months ended November 30, 2010 is prepared at December 31, 2010. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in our August 31, 2010 Annual Report and the consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

Cautionary statement regarding forward-looking statements

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, program, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of the words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, program, merchandise and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

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Overview of Consolidated Results

Net income for the first quarter was \$46.2 million on revenues of \$240.7 million, as compared to net income of \$73.9 million on revenues of \$222.3 million in the prior year. Television segment profit increased by 16%, while Radio increased by 2%. Refer to the discussion of segmented results for further analysis.

Revenues

Revenues for the first quarter were \$240.7 million, an increase of 8% from \$222.3 million last year. Subscriber revenues increased by 9% and advertising revenues increased by 8% in the quarter. Television revenues increased by 11% and Radio revenues increased by 3% in the quarter. Refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the first quarter were \$148.4 million, up 7% from \$139.1 million in the prior year. This increase is attributed to higher program rights and film amortization in the Television division and higher general and administrative costs in Radio and Corporate. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense of \$6.7 million for the first quarter was higher than prior year due to the depreciation of assets at Corus Quay which commenced in the fourth quarter of fiscal 2010.

Interest expense

Interest on long-term debt of \$14.9 million for the first quarter was higher than prior year due to the issuance of new debt in the second quarter of fiscal 2010. In February 2010, the Company issued \$500.0 million in senior unsecured guaranteed notes due 2017 (the "Notes") that pay interest at 7.25%. The Company used these proceeds to pay down bank debt. The effective interest rate on bank loans and notes for the first quarter of fiscal 2011 was 6.8% compared to 4.0% on bank loans in the first quarter of last year.

Disputed regulatory fees

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement includes waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued \$16.2 million over that period, and reversed this accrual in the first quarter of fiscal 2010.

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Restructuring expense

Restructuring expense of \$2.4 million is comprised of employee-related expenses associated with the organizational restructuring that occurred in the fourth quarter of fiscal 2010 and redundant rents for facilities vacated subsequent to the move to the Corus Quay location.

Other income, net

Other income for the first quarter was \$0.2 million, as compared to income of \$1.8 million last year. The difference is primarily due to higher interest income related to tax refunds, received in first quarter fiscal 2010.

Income taxes

The effective tax rate for the first quarter of fiscal 2011 was 30.0%, compared to the Company's 29.0% statutory rate. The first quarter of fiscal 2010 includes a future tax recovery of \$14.2 million representing a reduction in the Ontario provincial long-term tax rate.

Net income and earnings per share

Net income for the first quarter was \$46.2 million, as compared to \$73.9 million last year. Earnings per share for the first quarter were \$0.57 basic and \$0.56 diluted, compared to \$0.92 basic and \$0.91 diluted last year. Net income for the prior year's quarter includes a \$16.2 million reversal of a disputed regulatory fee accrual and a \$14.2 million recovery due to income tax rate changes. Excluding the impact of these items results in an adjusted basic earnings per share of \$0.61 for the prior year.

The weighted average number of shares outstanding has increased in the current year due to the issuance and exercise of stock options and the issuance of shares from treasury under the dividend reinvestment plan.

Other comprehensive income (loss), net of tax

The significant item in other comprehensive income in the prior year was the change in the unrealized fair value of the Company's interest rate swap agreements. In the second quarter of fiscal 2010, the Company terminated the agreements. As a result, the unrealized change in the fair value of the agreements that were previously recorded in other comprehensive income were reversed through other comprehensive income and recorded in net income as a component of the debt refinancing loss.

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Radio

The Radio division comprises 48 radio stations situated primarily in nine of the 10 largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of revenues and audience reach.

Financial Highlights

| (thousands of Canadian dollars) | Three months ended | |
|---------------------------------|---------------------|--------|
| | November 30, | |
| | 2010 | 2009 |
| Revenues | | |
| West | 26,065 | 26,233 |
| Ontario | 26,704 | 24,504 |
| Quebec and other | 20,365 | 20,337 |
| | 73,134 | 71,074 |
| Segment profit | | |
| West | 8,998 | 9,701 |
| Ontario | 9,472 | 8,475 |
| Quebec and other | 3,687 | 3,645 |
| | 22,157 | 21,821 |

Revenues for the first quarter increased by 3% compared to the prior year. Revenues in Ontario were up 9%, driven by the strong growth in Toronto. Revenues in the rest of Canada were stable with modest increases in Quebec offsetting slight decreases in the West. The Company's results this quarter are in line with the performance of the overall market in Canada.

Direct cost of sales, general and administrative expenses for the first quarter increased by 4% compared to the prior year. Variable expenses increased 14% in the quarter largely due to higher regulatory fees of approximately \$1 million resulting from the July 2010 Copyright Board decision. Fixed costs, which represent a much higher proportion of the cost structure, were down 1% for the quarter. The decrease was largely in employee related costs as a result of divisional realignment executed by the Company in the fourth quarter of Fiscal 2010.

Although revenue increased by 3% this quarter, segment profit increased by only 2%. This was a result of the significant increase in variable costs as discussed in the preceding paragraph. As a result, the Radio division's margin decreased from 30.7% in the prior year to 30.3% this quarter.

The Company has signed an agreement to sell the Quebec operations to Cogeco Inc. Radio's Quebec segment will be retroactively restated as a discontinued operation commencing in the second quarter. The transaction is expected to close on February 1, 2011.

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Television

The Kids segment comprises: YTV; Treehouse TV; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro, and the Nelvana content business. The Specialty and Pay segment comprises: W Network; VIVA; W Movies; Sundance Channel (Canada); Corus' western Canadian premium television services Movie Central (including HBO Canada) and Encore Avenue; three local television stations, and the Company's interests in CMT Canada, Telematino, DUSK and Cosmopolitan TV.

Financial Highlights

| (thousands of Canadian dollars) | Three months ended | |
|---------------------------------|---------------------|---------|
| | November 30, | |
| | 2010 | 2009 |
| Revenues | | |
| Kids | 78,013 | 68,499 |
| Specialty and Pay | 89,504 | 82,756 |
| | 167,517 | 151,255 |
| Segment profit | | |
| Kids | 41,426 | 33,309 |
| Specialty and Pay | 36,674 | 33,759 |
| | 78,100 | 67,068 |

Revenues increased by 11% in the first quarter reflecting an increase of 12% in advertising revenues and an increase of 9% in subscriber revenues. Strong growth continued in our specialty advertising revenues which were up 17% while non-specialty advertising revenues were down 42%. Other revenues also grew 13% in the third quarter. Specialty advertising revenues were particularly strong in our CMT network which was up 26% over the prior year and in our Kids segment which was up 21% over the prior year reflecting continued strong ratings growth and the success in monetizing our "co-view" audience. The decline in non-specialty advertising revenues reflects the closure of our former cable advertising service in August 2010. Subscriber revenue growth includes the addition of our two new offerings, W Movies and Sundance Channel (which launched March 1, 2010) and strong paid subscriber growth at CosmoTV and Nickelodeon (Canada). Movie Central (including HBO Canada) finished the quarter with 976,000 subscribers, up 2% from the same period last year.

Direct cost of sales, general and administrative expenses increased by 6% in the first quarter. Direct cost of sales, which includes amortization of program rights and film investments, increased by 11%. The increase in amortization of program rights reflects increased variable programming costs associated with higher subscriber levels and increased Canadian content requirements based on the prior year's revenues, as a result of conditions of license. The increase in film investment amortization is associated with increased revenues from third party service work at our studios. General and administrative expenses decreased in the first quarter as a result of savings from our recent organizational restructuring.

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Corporate

The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating segments.

Financial Highlights

| (thousands of Canadian dollars) | Three months ended | |
|--|---------------------|-------|
| | November 30, | |
| | 2010 | 2009 |
| Stock-based compensation | 2,125 | 1,185 |
| Other general and administrative costs | 5,835 | 4,479 |
| | 7,960 | 5,664 |

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense fluctuates with changes in assumptions, primarily the Company's share price and number of units outstanding. The increase in stock-based compensation in the current year reflects a higher share price at the end of the first quarter compared to the prior year as well as the granting of additional units under the long-term incentive plan in the current year.

Other general and administrative costs are up from the prior year and include increased facility costs at Corus Quay which the Company started occupying in the fourth quarter fiscal 2010.

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Quarterly Consolidated Financial Information

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended November 30, 2010. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained in the Company's Annual Report for the year ended August 31, 2010.

[thousands of Canadian dollars, except per share amounts]

| | Revenues | Segment profit | Net income | Earnings per share | |
|-------------|----------|----------------|------------|--------------------|---------|
| | | | | Basic | Diluted |
| 2011 | | | | | |
| 1st quarter | 240,651 | 92,297 | 46,221 | \$ 0.57 | \$ 0.56 |
| 2010 | | | | | |
| 4th quarter | 202,789 | 51,581 | 6,812 | \$ 0.08 | \$ 0.08 |
| 3rd quarter | 218,439 | 73,818 | 31,411 | 0.39 | 0.39 |
| 2nd quarter | 192,664 | 55,445 | 14,603 | 0.18 | 0.18 |
| 1st quarter | 222,329 | 83,225 | 73,908 | 0.92 | 0.91 |
| 2009 | | | | | |
| 4th quarter | 195,221 | 57,423 | 18,733 | \$ 0.23 | \$ 0.23 |
| 3rd quarter | 195,354 | 61,416 | (145,030) | (1.81) | (1.81) |
| 2nd quarter | 181,358 | 51,009 | 29,029 | 0.36 | 0.36 |

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2010, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

Significant items causing variations in quarterly results

- Net income for the fourth quarter of fiscal 2010 was negatively impacted by a charge of \$12.9 million related to the Company's organizational restructuring to streamline operating processes in the new Corus Quay facilities.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of \$7.9 million related to the new Radio tariffs introduced in July 2010.
- Net income in the second quarter of fiscal 2010 was negatively impacted by \$14.3 million in expenses related to the refinancing of the Company's debt.
- Net income in the first quarter of fiscal 2010 was positively impacted by \$14.3 million in income tax rate changes and the reversal of a \$16.2 million disputed regulatory fee accrual.
- Revenues in the third quarter of fiscal 2009 decreased from the previous year, as the Canadian economy had a negative impact on the advertising market. The impact was most pronounced in the Radio division.
- Net loss in the third quarter of fiscal 2009 includes broadcast license and goodwill impairment charges of \$172.5 million, net of tax of \$2.5 million, related to the Radio division.
- Net income in the second quarter of fiscal 2009 was positively impacted by a gain of \$7.2 million related to the disposition of a residential audio service.

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Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2010.

Outlook

At its annual Investor Day in September 2010, the Company updated investors on the Company's fiscal 2010 strategic priorities and provided near-term financial guidance for the 2011 fiscal year. In particular, the Company announced its fiscal 2011 guidance targets of consolidated segment profit of \$285.0 to \$295.0 million, and free cash flow of \$100.0 million. This annual guidance remains unchanged at the end of the first quarter of fiscal 2011 and assumes the sale of the Quebec radio assets.

To view the Investor Day presentation, please visit the Company's website at www.corusent.com.

Financial Position

Total assets at November 30, 2010 were \$2.1 billion, compared to \$2.0 billion at August 31, 2010. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2010.

Current assets increased by \$55.5 million. Cash and cash equivalents increased by \$15.6 million. Refer to the discussion of cash flows in the next section. Accounts receivable increased by \$48.2 million from year-end. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased as a result of accruals related to film production. Investments and other assets increased primarily as a result of increases in equity investments. Capital assets increased by \$7.0 million, as spending on Corus Quay continued in the first quarter and was offset by increased depreciation. Broadcast licenses and goodwill balances remained consistent with August 31, 2010. Program and film rights (current and non-current) increased by \$10.1 million, as additions of acquired rights of \$46.5 million were not completely offset by amortization during the period. In particular, investments in programming were made for all Television brands both on Canadian programming and movies in the first quarter. Film investments increased by \$0.3 million, as net film spending of \$21.9 million was offset by film amortization and accruals for tax credits.

Accounts payable and accrued liabilities increased as a result of interest payable on long-term debt, dividends payable and current program rights payable. Prior to the issuance of the notes in the second quarter of 2010, interest on bank debt was paid monthly or quarterly. Interest on the notes is paid semi-annually, in February and August. An increase in accrued liabilities is related to higher general accounts payable. Income taxes payable increased due to the timing of income tax installment payments.

Long-term debt increased by \$30.9 million, primarily to fund working capital. Other long-term liabilities decreased by \$2.4 million due to reductions in capital lease accruals and unearned revenue.

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The exercise of employee stock options added \$2.9 million to share capital and the issuance of shares from treasury under the Company's dividend reinvestment plan added \$1.6 million to share capital. Contributed surplus decreased by \$0.4 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased by \$15.6 million in the first quarter fiscal 2011, compared to an increase of \$13.0 million in the prior year. Free cash flow for the first quarter fiscal 2011 was \$1.1 million, compared to negative free cash flow of \$8.9 million in the prior year. After adding back the impact of business combinations, adjusted free cash flow in the first quarter fiscal 2010 is \$27.1 million. This decrease in free cash flow reflects lower cash from operating activities and higher capital expenditures. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities in the first quarter fiscal 2011 was \$15.4 million, compared to \$32.3 million last year. This decrease is related primarily to higher interest expense and increased working capital usage.

Cash used in investing activities in the first quarter fiscal 2011 was \$14.4 million, compared to cash used of \$41.3 million last year. Capital expenditures of \$13.3 million were higher in the current year, as the Company continues to incur costs related to Corus Quay in fiscal 2011. In the first quarter of fiscal 2010, the Company completed the acquisition of two specialty television services for cash of \$40.0 million, less a \$4.0 million holdback to be paid later in the fiscal year.

Cash provided by financing activities in the first quarter fiscal 2011 was \$14.3 million, compared to \$22.0 million in the prior year.

Liquidity

As at November 30, 2010, the Company has available \$262.0 million under a revolving term credit facility that matures on February 10, 2014. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at November 30, 2010, the Company had a cash balance of \$23.6 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at November 30, 2010, net debt was \$699.3 million, up from \$683.9 million at August 31, 2010. Net debt to segment profit at November 30, 2010 was 2.6 times, consistent with August 31, 2010. This ratio remains below management's stated long-term range of 3.0 to 3.5 times.

Off-balance sheet arrangements and derivative financial instruments

In the second quarter of fiscal 2010, the Company terminated its interest rate swap agreements that had fixed a portion of the interest rate on its bank debt. As a result, the Company has no derivative instruments outstanding as at November 30, 2010.

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Contractual commitments

The Company has added no significant unfulfilled contractual obligations in fiscal 2011.

Outstanding Share Data

As at December 31, 2010, 3,439,462 Class A Voting Shares and 78,124,157 Class B Non-Voting Shares were issued and outstanding.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the three months ended November 30, 2010 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Key Performance Indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in the Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2010, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; disputed regulatory fees; debt refinancing loss and certain other income and expenses (note 10 to the interim consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 12 to the interim consolidated financial statements.

Certain key performance indicators are not measurements in accordance with Canadian or U.S. generally accepted accounting principles ("GAAP") and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP. The following tables reconcile those key performance indicators that are not in accordance with GAAP measures:

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Free cash flow

| (thousands of Canadian dollars) | Three months ended | |
|---------------------------------|--------------------|----------------|
| | November 30, | |
| | 2010 | 2009 |
| Cash provided by (used in): | | |
| Operating activities | 15,442 | 32,327 |
| Investing activities | (14,376) | (41,253) |
| Free cash flow | 1,066 | (8,926) |

Net debt

| (thousands of Canadian dollars) | As at November 30, | As at August 31, |
|---------------------------------|--------------------|------------------|
| | 2010 | 2010 |
| Long-term debt | 722,816 | 691,891 |
| Cash and cash equivalents | (23,554) | (7,969) |
| Net debt | 699,262 | 683,922 |

Net debt to segment profit

| (thousands of Canadian dollars) | As at November 30, | As at August 31, |
|-----------------------------------|--------------------|------------------|
| | 2010 | 2010 |
| Net debt (numerator) | 699,262 | 683,922 |
| Segment profit (denominator) | 273,141 | 264,069 |
| Net debt to segment profit | 2.6 | 2.6 |

(1) Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section of Management's Discussion and Analysis.

Impact of New Accounting Policies

There are no pending accounting changes under Canadian GAAP that will be adopted prior to conversion to IFRS.

Recent Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company has implemented an IFRS project, and has committed adequate internal and external resources towards this project, including assembling a project team with a project team leader that includes senior levels of management. Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS project has been established.

Although the Company has completed preliminary assessments of accounting and reporting differences, impacts on systems and processes, it has not yet finalized these assessments. As the Company finalizes its determination of the significant impacts on its financial reporting it intends to disclose such impacts in future Management's Discussion and Analysis.

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First Quarter Report to Shareholders

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of the adoption of IFRS at the changeover date. The International Accounting Standards Board (“IASB”) will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all IFRS’s applicable at the conversion date are known.

The Company’s adoption of IFRS will require the application of IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”), which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS’s effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. Management is assessing the exemptions available under IFRS 1 and their impact on the Company’s future financial position. On adoption of IFRS, the exemptions being considered by the Company that could result in material impacts are as follows:

| Exemption | Application of exemption |
|------------------------------------|---|
| Business combinations | The Company expects to elect not to restate any business combinations that occurred prior to September 1, 2010. |
| Cumulative translation differences | The Company expects to elect to reset cumulative translation differences for foreign operations to zero at September 1, 2010. |

Management is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Set out below are the key areas where changes in accounting policies are expected that may impact the Company’s consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas management believes to be most significant. However, the IASB has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company’s consolidated financial statements. Consequently, management’s analysis of changes and policy decisions have been made based on its expectations regarding the accounting standards that we anticipate will be effective at the time of transition. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. At this stage, management is not able to reliably quantify the impacts expected on the Company’s consolidated financial statements for these differences. Please see the section entitled “Cautionary statement regarding forward-looking statements”.

Differences with respect to recognition, measurement, presentation and disclosure of financial information are expected to be in the following key accounting areas:

| Key accounting area | Differences from Canadian GAAP, with potential impact for the Company |
|--|--|
| Presentation of Financial Statements (IAS 1) | Additional disclosures in the notes to financial statements. |
| Property, Plant and Equipment (IAS 16) | Componentization of significant real estate for separate amortization over a shorter useful life. Remaining carrying value of underlying buildings subject to componentization amortized over a longer useful life. |

CORUS ENTERTAINMENT INC.
First Quarter Report to Shareholders

| | |
|--|--|
| Impairment of Assets (IAS 36) | Grouping of assets in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach. Goodwill allocated to and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Under certain circumstances, previous impairment taken (other than goodwill) required to be reversed. |
| Interests in Joint Ventures (IAS 31) | Joint venture interests accounted for using the equity method. |
| Income Taxes (IAS 12) | Recognition and measurement criteria for deferred tax assets and liabilities may differ. |
| Intangible Assets (IAS 38) | Reinstatement of amortization of indefinite-lived intangibles |
| Business Combinations and Minority Interests (IFRS 3R) | Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of contingent consideration classified as a liability recognized in earnings. Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interests presented as a separate component of shareholders' equity. |

This is not an exhaustive list of all of the changes that could occur during the transition to IFRS. At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue to issue new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule.

There are no pending accounting changes under Canadian GAAP that will be adopted prior to conversion to IFRS.

Consolidated Financial Statements and Notes**CORUS ENTERTAINMENT INC.
CONSOLIDATED BALANCE SHEETS**

| (unaudited) (in thousands of Canadian dollars) | As at November 30, 2010 | As at August 31, 2010 |
|---|----------------------------|--------------------------|
| ASSETS (note 6) | | |
| Current | | |
| Cash and cash equivalents | 23,554 | 7,969 |
| Accounts receivable | 223,381 | 175,134 |
| Income taxes recoverable | — | 1,781 |
| Prepaid expenses and other | 18,549 | 18,008 |
| Program and film rights | 153,098 | 159,726 |
| Future tax asset | 5,914 | 6,423 |
| Total current assets | 424,496 | 369,041 |
| Tax credits receivable | 44,023 | 39,597 |
| Investments and other assets (note 3) | 23,682 | 22,699 |
| Property, plant and equipment | 169,380 | 161,585 |
| Program and film rights | 105,425 | 88,684 |
| Film investments (note 4) | 100,760 | 100,454 |
| Broadcast licenses | 582,166 | 582,166 |
| Goodwill | 695,029 | 695,029 |
| | 2,144,961 | 2,059,255 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (note 5) | 222,668 | 203,422 |
| Income taxes payable | 5,820 | — |
| Total current liabilities | 228,488 | 203,422 |
| Long-term debt (note 6) | 722,816 | 691,891 |
| Other long-term liabilities (notes 5, 7 and 8) | 89,025 | 91,423 |
| Future tax liability | 98,494 | 98,516 |
| Total liabilities | 1,138,823 | 1,085,252 |
| Non-controlling interest | 15,669 | 18,055 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 8) | 861,183 | 856,655 |
| Contributed surplus (note 8) | 11,392 | 11,780 |
| Retained earnings | 129,632 | 98,669 |
| Accumulated other comprehensive loss (note 15) | (11,738) | (11,156) |
| Total shareholders' equity | 990,469 | 955,948 |
| | 2,144,961 | 2,059,255 |

See accompanying notes

On behalf of the Board:John M. Cassaday
DirectorHeather A. Shaw
Director

January 11, 2011

**CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME**

| (unaudited) (in thousands of Canadian dollars) | Three months ended November 30, | |
|--|---|----------|
| | 2010 | 2009 |
| Revenues | 240,651 | 222,329 |
| Direct cost of sales, general and administrative expenses (note 14) | 148,354 | 139,104 |
| Depreciation | 6,622 | 4,516 |
| Interest expense (notes 6 and 9) | 14,883 | 8,148 |
| Disputed regulatory fees | — | (16,194) |
| Restructuring charges (note 5) | 2,378 | — |
| Other income, net (notes 10 and 14) | (219) | (1,784) |
| Income before income taxes and non-controlling interest | 68,633 | 88,539 |
| Income tax expense (note 11) | 20,592 | 13,453 |
| Non-controlling interest | 1,820 | 1,178 |
| Net income for the period | 46,221 | 73,908 |
| Earnings per share (note 8) | | |
| Basic | \$ 0.57 | \$ 0.92 |
| Diluted | \$ 0.56 | \$ 0.91 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (unaudited) (in thousands of Canadian dollars) | Three months ended November 30, | |
|--|---|--------|
| | 2010 | 2009 |
| Net income for the period | 46,221 | 73,908 |
| Other comprehensive income (loss), net of tax | | |
| Unrealized foreign currency translation adjustment | (753) | (445) |
| Unrealized change in fair value of available-for-sale investments, net of tax | 171 | 39 |
| Unrealized change in fair value of cash flow hedges, net of tax | — | 1,446 |
| | (582) | 1,040 |
| Comprehensive income for the period | 45,639 | 74,948 |

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| (unaudited) | Three months ended | |
|--|---------------------|----------|
| (in thousands of Canadian dollars) | November 30, | |
| | 2010 | 2009 |
| Share capital | | |
| Balance, beginning of period | 856,655 | 840,602 |
| Issuance of shares under stock option plan | 2,924 | 1,402 |
| Other | 1,604 | 336 |
| Balance, end of period | 861,183 | 842,340 |
| Contributed surplus | | |
| Balance, beginning of period | 11,780 | 17,303 |
| Stock-based compensation (note 8) | 233 | 899 |
| Settlement and modification of long-term incentive plan (note 8) | — | (3,473) |
| Exercise of stock options | (621) | (335) |
| Balance, end of period | 11,392 | 14,394 |
| Retained earnings | | |
| Balance, beginning of period | 98,669 | 20,380 |
| Net income for the period | 46,221 | 73,908 |
| Dividends | (15,258) | (12,017) |
| Balance, end of period | 129,632 | 82,271 |
| Accumulated other comprehensive loss | | |
| Balance, beginning of period | (11,156) | (24,007) |
| Other comprehensive income (loss), net of tax | (582) | 1,040 |
| Balance, end of period | (11,738) | (22,967) |

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (unaudited) | Three months ended | |
|--|---------------------|-----------------|
| (in thousands of Canadian dollars) | November 30, | |
| | 2010 | 2009 |
| OPERATING ACTIVITIES | | |
| Net income for the period | 46,221 | 73,908 |
| Add (deduct) non-cash items: | | |
| Depreciation | 6,622 | 4,516 |
| Amortization of program rights | 42,132 | 41,726 |
| Amortization of film investments | 10,922 | 5,533 |
| Future income taxes | 472 | (15,336) |
| Non-controlling interest | 1,820 | 1,178 |
| Stock option expense | 233 | 204 |
| Imputed interest | 2,600 | 1,696 |
| Other | (267) | (91) |
| Net change in non-cash working capital balances related to operations | (35,309) | (21,436) |
| Payment of program and film rights | (38,153) | (41,610) |
| Net additions to film investments | (21,850) | (17,961) |
| Cash provided by operating activities | 15,443 | 32,327 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (13,266) | (6,106) |
| Business combinations | — | (36,000) |
| Cash flows for investments and other assets, net | (885) | 1,091 |
| Decrease in public benefits associated with acquisitions | (225) | (238) |
| Cash used in investing activities | (14,376) | (41,253) |
| FINANCING ACTIVITIES | | |
| Increase in bank loans | 30,192 | 39,885 |
| Issuance of shares under stock option plan | 2,303 | 1,067 |
| Dividend paid | (11,591) | (11,674) |
| Dividend paid to minority interest | (4,206) | (3,860) |
| Other | (2,180) | (3,444) |
| Cash provided financing activities | 14,518 | 21,974 |
| Net change in cash and cash equivalents during the period | 15,585 | 13,048 |
| Cash and cash equivalents, beginning of period | 7,969 | 10,922 |
| Cash and cash equivalents, end of period | 23,554 | 23,970 |

Supplemental cash flow disclosures (note 13)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

(in thousands of Canadian dollars, except share information)

1. BASIS OF PRESENTATION

These interim consolidated financial statements include the accounts of Corus Entertainment Inc. and its subsidiaries (“Corus” or the “Company”). The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since the Company’s last fiscal year and are not fully inclusive of all matters normally disclosed in the Company’s annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended August 31, 2010.

Corus’ operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter’s operating results are not necessarily indicative of a subsequent quarter’s operating results. Each of the broadcasting businesses [Radio and Television] has unique seasonal aspects.

For the broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter tend to be the weakest, consistent with lower consumer spending in winter months.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the fiscal 2010 annual consolidated financial statements.

3. INVESTMENTS AND OTHER ASSETS

| | As at November 30, 2010 | As at August 31, 2010 |
|-----------------------------|------------------------------------|----------------------------------|
| Equity investments | 9,148 | 7,914 |
| Trademark intangible assets | 11,245 | 11,744 |
| Other | 3,289 | 3,041 |
| | 23,682 | 22,699 |

4. FILM INVESTMENTS

| | As at November 30, 2010 | As at August 31, 2010 |
|---|------------------------------------|----------------------------------|
| Projects in development and in process, net of advances | 29,222 | 27,712 |
| Completed projects and distribution rights | 43,178 | 47,205 |
| Investments in third-party-produced film projects | 28,360 | 25,537 |
| | 100,760 | 100,454 |

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at November 30, 2010, the Company had \$10,757 (August 31, 2010 - \$13,756) in accrued restructuring expenses in accounts payable and accrued liabilities and other long-term liabilities. In the first quarter fiscal 2011, \$2,999 has been paid in respect of these provisions and \$2,378 relating to employee related costs and redundant rent was paid and expensed. The Company anticipates that these provisions will be substantially paid in fiscal 2011.

6. LONG-TERM DEBT

| | As at November 30, 2010 | As at August 31, 2010 |
|-----------------------------------|----------------------------|--------------------------|
| Bank loans | 238,207 | 208,015 |
| Senior unsecured guaranteed notes | 500,000 | 500,000 |
| Unamortized financing fees | (15,391) | (16,124) |
| | 722,816 | 691,891 |

In the second quarter of fiscal 2010, the Company closed an offering of \$500,000 principal amount of 7.25% senior unsecured guaranteed notes due February 10, 2017 (the "Notes").

Concurrent with the closing of the offering of the Notes, the Company entered into an amended credit facility with a syndicate of banks that matures on February 11, 2014. The amount committed is \$500,000, which is available on a revolving basis.

The transactions noted above resulted in the Company recording a \$14,256 debt refinancing loss in the second quarter of fiscal 2010. The components of this loss include mark-to-market payments on the interest rate swap agreement termination and the write-off of unamortized financing fees related to the bank loans that were settled.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at November 30, 2010, the weighted average interest rate on the outstanding bank loans and Notes was 6.8%. Interest on the bank loans, including the impact of the swap, and Notes averaged 4.0% for the first quarter of fiscal 2010.

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at November 30, 2010.

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

(in thousands of Canadian dollars, except share information)

7. OTHER LONG-TERM LIABILITIES

| | As at November 30, 2010 | As at August 31, 2010 |
|--|----------------------------|--------------------------|
| Public benefits associated with acquisitions | 3,804 | 4,023 |
| Unearned revenue | 7,655 | 8,942 |
| Program rights payable | 31,548 | 31,959 |
| Long-term employee obligations | 10,229 | 9,830 |
| Deferred leasehold inducements | 7,790 | 7,075 |
| Merchandising and trademark liabilities | 13,259 | 13,745 |
| Capital lease accrual | 14,740 | 15,849 |
| | 89,025 | 91,423 |

8. SHARE CAPITAL

Authorized

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2010 are summarized as follows:

| | Class A Voting Shares | | Class B Non-Voting Shares | | Total |
|---|--------------------------|---------------|------------------------------|----------------|----------------|
| | # | \$ | # | \$ | \$ |
| Balance as at August 31, 2010 | 3,444,128 | 26,671 | 77,695,238 | 829,984 | 856,655 |
| Conversion of Class A Voting Shares to Class B Non-Voting Shares | (4,666) | (36) | 4,666 | 36 | — |
| Issuance of shares under Stock Option Plan | — | — | 193,325 | 2,924 | 2,924 |
| Issuance of shares under dividend reinvestment plan | — | — | 76,798 | 1,604 | 1,604 |
| Balance as at November 30, 2010 | 3,439,462 | 26,635 | 77,970,027 | 834,548 | 861,183 |

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Earnings per share

The following is a reconciliation of the numerator and denominators (in thousands) used for the computation of the basic and diluted earnings per share amounts:

| | Three months ended November 30, | |
|---|------------------------------------|--------|
| | 2010 | 2009 |
| Net Income for the period (numerator) | 46,221 | 73,908 |
| Weighted average number of shares outstanding (denominator) | | |
| Weighted average number of shares | | |
| outstanding - basic | 81,224 | 80,087 |
| Effect of dilutive securities | 688 | 1,330 |
| Weighted average number of shares | | |
| outstanding - diluted | 81,912 | 81,417 |

The calculation of diluted earnings per share for the first quarter of fiscal 2011 excluded 235,800 weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

Stock option plan

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since August 31, 2010 is presented as follows:

| | Number of options (#) | Weighted average exercise price (\$) |
|-------------------------------------|-----------------------|---|
| Outstanding as at August 31, 2010 | 2,811,588 | 14.95 |
| Granted | 261,900 | 19.15 |
| Forfeited or expired | (22,600) | 22.65 |
| Exercised | (193,325) | 11.91 |
| Outstanding as at November 30, 2010 | 2,857,563 | 15.48 |

As at November 30, 2010, the Company has outstanding stock options for 2,857,563 Class B Non-Voting Shares, of which 2,607,126 are exercisable.

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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November 30, 2010

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amortized to income over the option's vesting period on a straight-line basis. In fiscal 2011, the Company has recorded stock-based compensation expense for the first quarter of \$233 (2010 – \$204). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at November 30, 2010 related to the Plan was \$2,934.

The fair value of each option granted in fiscal 2011 and 2010 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

| | Fiscal 2011 | Fiscal 2010 |
|-------------------------|--------------------|-------------|
| Fair value | \$ 4.26 | \$ 3.65 |
| Expected life | 5.8 years | 5.6 years |
| Risk-free interest rate | 2.06% | 2.77% |
| Dividend yield | 3.8% | 3.4% |
| Volatility | 29.0% | 28.7% |

Performance share units

The Company has granted Performance Share Units (“PSUs”) to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The stock-based compensation expense recorded for the first quarter in respect of the PSU plan was \$236 (2010 – \$286).

Long-term incentive plan

In the first quarter of fiscal 2011, 227,100 units were granted under this plan (2010 – 334,300 units), with vesting periods between two and five years. The stock-based compensation expense recorded for the first quarter in respect of this plan was \$1,656 (2010 – \$695). This charge has been credited to other long-term liabilities.

Units that vested on August 31, 2009 were paid in cash in September 2009. This resulted in a reduction of \$3,473 to contributed surplus in the first quarter of fiscal 2010.

In the third quarter of fiscal 2010, the plan text was modified to remove the option of settling the plan in shares. As a result, the amounts previously credited to contributed surplus were transferred to other long-term liabilities.

Dividend reinvestment plan

In September 2009, the Company announced that its Board of Directors had approved a discount for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In the first quarter of fiscal 2011, the Company issued 76,798 Class B Non-Voting Shares, resulting in an increase in share capital of \$1,604.

Other

The Company allows directors and senior management to receive their director’s fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

(in thousands of Canadian dollars, except share information)

has the same value as a Class B Non-Voting Share. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At November 30, 2010, there were 157,520 deferred share units outstanding.

9. INTEREST EXPENSE

| | Three months ended | |
|---|---------------------|-------|
| | November 30, | |
| | 2010 | 2009 |
| Interest on long-term debt | 11,523 | 6,284 |
| Imputed interest on long-term liabilities | 2,600 | 1,696 |
| Other | 760 | 168 |
| | 14,883 | 8,148 |

10. OTHER INCOME, NET

| | Three months ended | |
|--------------------------------|---------------------|---------|
| | November 30, | |
| | 2010 | 2009 |
| Interest income | (5) | (1,051) |
| Foreign exchange gains | (1,055) | (766) |
| Income from equity investments | (349) | (139) |
| Other | 1,190 | 172 |
| | (219) | (1,784) |

11. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for the first quarter of fiscal 2011 and 2010 is as follows:

| | Fiscal 2011 | | Fiscal 2010 | |
|--|---------------|-------------|-------------|--------|
| | \$ | % | \$ | % |
| Tax at combined federal and provincial rate | 19,915 | 29.0 | 27,941 | 31.6 |
| Future tax recovery resulting from tax rate change | — | — | (14,193) | (16.0) |
| Other | 677 | 1.0 | (295) | (0.4) |
| | 20,592 | 30.0 | 13,453 | 15.2 |

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

(in thousands of Canadian dollars, except share information)

12. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two operating divisions and five segments:

Radio

The Radio division comprises 48 radio stations, situated primarily in urban centres in Canada. Revenues are derived from advertising aired over these stations.

Television

The Television division includes interests in several specialty television networks, pay television services, conventional television stations, and the Nelvana content business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent audited consolidated financial statements. Management evaluates each business segment's performance based on revenues less direct cost of sales, general and administrative expenses.

Divisional results

Three months ended November 30, 2010

| | Radio | Television | Corporate | Consolidated |
|---|--------------|-------------------|------------------|---------------------|
| Revenues | 73,134 | 167,517 | — | 240,651 |
| Direct costs of sales, general and administrative expenses | 50,977 | 89,417 | 7,960 | 148,354 |
| Segment profit (loss) | 22,157 | 78,100 | (7,960) | 92,297 |
| Depreciation | 1,272 | 1,703 | 3,647 | 6,622 |
| Interest expense | 880 | 6,148 | 7,855 | 14,883 |
| Restructuring charges | 806 | 2 | 1,570 | 2,378 |
| Other expense (income), net | (88) | (632) | 501 | (219) |
| Income (loss) before income taxes and non-controlling interest | 19,287 | 70,879 | (21,533) | 68,633 |

Three months ended November 30, 2009

| | Radio | Television | Corporate | Consolidated |
|---|--------------|-------------------|------------------|---------------------|
| Revenues | 71,074 | 151,255 | — | 222,329 |
| Direct costs of sales, general and administrative expenses | 49,253 | 84,187 | 5,664 | 139,104 |
| Segment profit (loss) | 21,821 | 67,068 | (5,664) | 83,225 |
| Depreciation | 1,670 | 1,906 | 940 | 4,516 |
| Interest expense | 188 | 1,175 | 6,785 | 8,148 |
| Disputed regulatory fees | (8,901) | (7,293) | - | (16,194) |
| Other expense (income), net | 91 | (1,253) | (622) | (1,784) |
| Income (loss) before income taxes and non-controlling interest | 28,773 | 72,533 | (12,767) | 88,539 |

CORUS ENTERTAINMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 2010

(in thousands of Canadian dollars, except share information)

The corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

In addition to evaluating performance of the divisions in total, management also measures performance at the operating segment level. The following tables present further details on the operating segments within the Radio and Television divisions:

Revenues by segment

| | Three months ended November 30, | |
|-------------------|---|---------|
| | 2010 | 2009 |
| Radio | | |
| West | 26,065 | 26,233 |
| Ontario | 26,704 | 24,504 |
| Quebec and other | 20,365 | 20,337 |
| | 73,134 | 71,074 |
| Television | | |
| Kids | 78,013 | 68,499 |
| Specialty and Pay | 89,504 | 82,756 |
| | 167,517 | 151,255 |

Segment profit

| | Three months ended November 30, | |
|-------------------|---|--------|
| | 2010 | 2009 |
| Radio | | |
| West | 8,998 | 9,701 |
| Ontario | 9,472 | 8,475 |
| Quebec and other | 3,687 | 3,645 |
| | 22,157 | 21,821 |
| Television | | |
| Kids | 41,426 | 33,309 |
| Specialty and Pay | 36,674 | 33,759 |
| | 78,100 | 67,068 |

Revenues by type

| | Three months ended November 30, | |
|-----------------|---|---------|
| | 2010 | 2009 |
| Advertising | 137,051 | 127,120 |
| Subscriber fees | 73,762 | 67,419 |
| Other | 29,838 | 27,790 |
| | 240,651 | 222,329 |

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(in thousands of Canadian dollars, except share information)

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

| | Three months ended | |
|-------------------|---------------------|-------|
| | November 30, | |
| | 2010 | 2009 |
| Interest paid | 3,347 | 6,465 |
| Interest received | 5 | 1,051 |
| Income taxes paid | 12,466 | 8,616 |

14. FOREIGN EXCHANGE GAINS AND LOSSES

The Company has reflected certain gains and losses in its consolidated statements of income (loss) as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates to operating activities while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

| | Three months ended | |
|--|---------------------|-------|
| | November 30, | |
| | 2010 | 2009 |
| Direct costs of sales, general and administrative expenses | (151) | (151) |
| Other income, net | (1,055) | (766) |
| Total foreign exchange gains | (1,206) | (917) |

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

| | As at November 30, | As at August 31, |
|---|--------------------|------------------|
| | 2010 | 2010 |
| Foreign currency translation adjustment | (12,251) | (11,498) |
| Unrealized gain on available-for-sale investments, net of tax | 513 | 342 |
| | (11,738) | (11,156) |

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16. SUBSEQUENT EVENTS

On April 30, 2010, Corus announced the sale of its Quebec radio stations to Cogeco. This transaction was subject to regulatory approval by the CRTC. On December 17, 2010, subsequent to the quarter, CRTC announced approval of the transaction. The sale will close February 1, 2011 with a purchase price of \$80 million. The following amounts, included in these consolidated financial statements, represent the Company's Quebec radio stations.

| | As at November 30, 2010 | As at August 31, 2010 |
|------------------------------|---|--------------------------|
| Current Assets | 17,332 | 14,950 |
| Broadcast License & Goodwill | 64,120 | 64,120 |
| Long term Assets | 13,374 | 13,965 |
| Current Liabilities | 7,677 | 9,933 |
| Long term Liabilities | 2,313 | 3,420 |
| Income Taxes Payable | 330 | (336) |
| Future Tax Liability | 7,592 | 7,963 |
| | Three Months Ended November 30, 2010 | 2009 |
| Revenue | 18,360 | 18,011 |
| Expense | 14,726 | 14,742 |
| Segment profit | 3,634 | 3,269 |

Radio's Quebec segment will be retroactively restated as a discontinued operation commencing in the second quarter.

