First Quarter 2014
Report to Shareholders

For the Three Months Ended November 30, 2013
(Unaudited)

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CORUS ENTERTAINMENT INC.
First Quarter Report to Shareholders

Highlights

Financial Highlights

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

(in thousands of Canadian dollars except per share amounts)	Three months ended November 30, 2013	2012[3]
Revenues		
Television	**177,949**	157,622
Radio	**48,056**	52,324
	226,005	209,946
Segment profit [1]		
Television	**82,524**	70,522
Radio	**15,837**	18,956
Corporate	**(6,085)**	(4,961)
	92,276	84,517
Net income attributable to shareholders	**150,891**	52,159
Adjusted net income attributable to shareholders [1] [2]	**55,177**	52,159
Basic earnings per share	**$ 1.78**	$ 0.63
Adjusted basic earnings per share[1] [2]	**$ 0.65**	$ 0.63
Diluted earnings per share	**$ 1.78**	$ 0.62
Free cash flow[1]	**49,636**	39,824

[1] See definitions and discussion under the Key Performance Indicators section.

[2] For the quarter ended November 30, 2013, excludes the impact of the $127.9 million ($1.51 per share) gain on remeasurement to fair value of the Company's 50% interest in TELETOON which was held prior to consolidation on September 1, 2013, business acquisition, integration and restructuring related costs of $21.9 million ($0.25 per share), an increase in the purchase price obligation of $7.3 million ($0.09 per share), and investment impairment related charges of $3.3 million ($0.04 per share).

[3] Prior period figures have been restated to reflect the changes in accounting standards described in note 3 to the interim condensed consolidated financial statements contained in the Fiscal 2014 Report to Shareholders.

Significant Events in the Quarter

- On September 7, 2013, the Company's Calgary radio station, Country 105, won three 2013 Canadian Country Music Association Awards for a Major Market including: Radio Station of the Year; Music Director of the Year; and On-air Personalities of the Year.
- On September 20, 2013, the Company's Winnipeg radio station, 680 CJOB, announced that Sports Director, Bob Irving, was presented with the 2013 Broadcast Excellence Award from the Broadcasters Association of Manitoba.
- On September 23, 2013, the Company announced that its programming received 27 awards combined from the Primetime Emmy® Awards and the Creative Arts Emmy® Awards. The award-winning series included HBO's *Behind the Candelabra*, *Game of Thrones*, *Boardwalk Empire*, *The Newsroom* and *Veep*, as well as Showtime's *Nurse Jackie*.
- On September 24, 2013, the Company was named, for the third time, one of Canada's Top Employers for Young People for 2013 by Mediacorp Canada Inc.

- On September 26, 2013, the Company received a Champion Award from The Daily Bread Food Bank in recognition of its role as a leading donor and fundraiser for its national Corus Feeds Kids campaign.
- On September 30, 2013, October 31, 2013 and November 29, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- On November 5, 2013, the Company appeared before the Canadian Radio-television and Telecommunications Commission ("CRTC") to present its applications for the acquisition of Historia, Séries+ and the remaining 50% of the TELETOON services. As part of the process, the CRTC considered Corus' applications to acquire the two Ottawa radio stations, CKQB-FM and CJOT-FM.
- On November 7, 2013, the Company's Toronto radio stations were honoured with a 2013 Community Service Award from The Ontario Association of Broadcasters (OAB), recognizing the stations' contributions to the Corus Feeds Kids initiative.
- On November 21, 2013, the Company was honoured with a Gold Media Innovation Award in the Television category for Healthy U-5&1, a campaign to encourage healthy eating and active living for kids aged 6 to 12 (featured in YTV's *The Zone*).
- On November 27, 2013, the Company was named, for the fourth time, one of Greater Toronto's Top Employers for 2014 by Mediacorp Canada Inc.

Significant Events Subsequent to the Quarter

- On December 20, 2013, the CRTC approved the Company's acquisition of Historia, Séries+ and the remaining 50% interest of TELETOON Canada Inc. These transactions were completed on January 1, 2014. The CRTC's decision on the Company's applications to acquire the two Ottawa radio stations, CKQB-FM and CJOT-FM, is pending.
- On December 30, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- On January 14, 2014, the Company announced that it had approved a 6.9% increase in its annual dividend. The Company's monthly dividend for holders of its Class A and Class B Shares was increased to $0.090417 and $0.090833, respectively, or $1.085 and $1.09, respectively on an annual basis.

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, 2013 is prepared at December 31, 2013. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2013 Annual Report and the interim condensed 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 interim condensed consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

Corus reports its financial results under International Financial Reporting Standards ("IFRS") in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

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, distribution, 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, distribution, 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 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.

Overview of Consolidated Results

For fiscal 2014, the consolidated results include the operations of TELETOON Canada Inc. ("TELETOON"), as well as its assets and liabilities, which have been fully consolidated effective September 1, 2013, as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements*. Accordingly, a business combination had occurred in accordance with IFRS 3 – *Business Combinations* and as a result, TELETOON must be accounted for by applying the acquisition method. The Company held a 50% equity ownership interest in TELETOON as at November 30, 2013 and on December 20, 2013, received CRTC approval to complete the acquisition of the remaining 50% interest in TELETOON that it did not already own. The acquisition closed on January 1, 2014 (refer to note 15 of the interim condensed consolidated financial statements for further details).

For fiscal 2013, as a result of retroactive application of IFRS 11 – *Joint Arrangements*, the Company is no longer permitted to proportionately consolidate the operations of TELETOON up to August 31, 2013 (i.e. prior to the business combination on September 1, 2013) and is required to account for this investment using the equity method of accounting. As a consequence, the Television segment's revenue and segment profit for the first quarter of fiscal 2013 were reduced by $16.2 million and $8.2 million, respectively and instead, Corus' share of TELETOON's net income of $6.0 million was reported as *Other expense (income), net* in the Consolidated Statements of Income and Comprehensive Income. The restatement did not change reported net income for fiscal 2013.

Net income attributable to shareholders for the first quarter of fiscal 2014 was $150.9 million on revenues of $226.0 million, as compared to $52.2 million on revenues of $209.9 million in the prior year. Consolidated segment profit increased 9% from the prior year, with an increase in the Television segment of 17% offset by a decrease in the Radio segment of 16% and an increase in the Corporate segment costs of 23%. Further analysis is provided in the discussions of segmented results.

Revenues

Revenues for the first quarter of fiscal 2014 were $226.0 million, an increase of 8% from $209.9 million last year. On a consolidated basis, advertising revenues increased by 15%, subscriber revenues increased by 14% and merchandising, distribution and other revenues decreased by 29%. Revenues increased for Television by 13%, while Radio decreased by 8% in the first quarter compared to the prior year. Refer to discussions 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 of fiscal 2014 were $133.7 million, up 7% from $125.4 million in the prior year. This increase resulted from higher costs in the Television and Corporate reporting segments, which was partially offset by cost reductions in the Radio segment. Refer to the discussions of segmented results for additional analysis of expenses.

Depreciation and amortization

Depreciation and amortization expense of $5.7 million for the first quarter of fiscal 2014 was down $0.7 million from $6.4 million in the first quarter of fiscal 2013. This decrease reflects a reduction in depreciation on capital assets, partially offset by increased amortization of intangibles.

Interest expense

Interest expense of $9.3 million in the first quarter of fiscal 2014 was $2.9 million lower than the prior year. This resulted from lower average interest rates on outstanding debt as a consequence of the issue of $550.0 million, 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 (the "2020 Notes") and repayment of $500.0 million 7.25% Senior Unsecured Guaranteed Notes due February 11, 2017 (the "2017 Notes"), offset by increased imputed interest charges of $0.5 million on discounted liabilities. The effective interest rate on bank loans and notes for the three months ended November 30, 2013 was 4.5% compared to 7.1% last year.

Gain on acquisition

In the first quarter of fiscal 2014, the Company recorded a non-cash gain of $127.9 million resulting from the remeasurement to fair value of the Company's original 50% interest in TELETOON which was held prior to the acquisition of control on September 1, 2013.

Business acquisition, integration and restructuring costs

In the first quarter of fiscal 2014, the Company incurred $21.9 million of business acquisition, integration and restructuring costs, which included $1.9 million in restructuring costs related to the fiscal 2013 organizational structure realignment and professional fees related to the business acquisitions. In addition, the Company, upon acquisition of control of TELETOON on September 1, 2013, recorded a charge of $20.0 million related to the present value of the CRTC tangible benefit obligation, to be paid over a seven-year period, to benefit the Canadian broadcasting system as part of the TELETOON acquisition.

Other expense (income), net

Other expense for the three months ended November 30, 2013 was $9.7 million compared to income of $5.5 million in the prior year. The decrease of $15.2 million relates primarily to higher income from joint ventures (re: TELETOON) in the prior year of $6.0 million, lower equity earnings from investments in associates in the current year of $1.5 million, impairment charges on certain investments of $1.5 million and an increase of $7.3 million in the purchase price obligation to Bell Media Inc. ("Bell") arising on the acquisition of control of TELETOON on September 1, 2013 (refer to note 15 of the interim condensed consolidated financial statements for further details).

Income tax expense

The effective tax rate for the three months ended November 30, 2013 was 12.2% compared to the Company's 26.4% statutory rate. This significantly lower effective tax rate reflects that the non-cash gain resulting from the remeasurement to fair value of the Company's original 50% interest in TELETOON is not subject to tax, but also reflects that a tax deduction is not expected to be available in respect to certain transaction-related costs.

Net income and earnings per share

Net income attributable to shareholders for the first quarter of fiscal 2014 was $150.9 million, as compared to $52.2 million last year. Earnings per share attributable to shareholders for the first quarter of fiscal 2014 were $1.78 per share basic and diluted compared with $0.63 per share basic and $0.62 per share diluted last year. Net income for the current quarter includes a non-cash gain on the remeasurement to fair value of Corus' original 50% ownership interest in TELETOON Canada Inc. of $127.9 million ($1.51 per share), business acquisition, integration and restructuring costs of $21.9 million ($0.25 per share), an increase in the purchase price obligation of $7.3 million ($0.09 per share), and investment impairment related charges of $3.3 million ($0.04 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $55.2 million ($0.65 per share basic).

The weighted average number of basic shares outstanding for the three months ended November 30, 2013 was 84,561,000 and has increased in the current year due to the issuance of stock options and the issuance of shares from treasury under the Company's dividend reinvestment plan.

Other comprehensive income (loss), net of tax

Other comprehensive income for the first quarter of fiscal 2014 was $0.5 million, compared to $0.6 million in the prior year. This decrease of $0.1 million resulted from a higher unrealized foreign currency translation gain and a decrease year-over-year on the unrealized change in fair value of available-for-sale investments.

Television

The Television division is comprised of: YTV; Treehouse; Nickelodeon (Canada); ABC Spark; TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, TLN en Español, Telebimbi, CineLatino), and Cosmopolitan TV.

Financial Highlights

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2013**	2012
Revenues	**177,949**	157,622
Expenses	**95,425**	87,100
Segment profit [1]	**82,524**	70,522

[1] As defined in the "Key Performance Indicators" section

For fiscal 2014, the operating results of TELETOON have been included in the Television segment at 100% interest effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements* (refer to note 15 for further details). For fiscal 2013, as a result of retroactively adopting IFRS 11 - *Joint Arrangements*, the Television segment's operating results were restated by replacing the proportionate consolidation of TELETOON at 50% with a single investment amount and equity pick-up of Corus' share of earnings using the equity method (refer to note 3 for further details). As a consequence, the Television segment's revenue and segment profit for the first quarter of fiscal 2013 were reduced by $16.2 million and $8.2 million, respectively.

Revenues increased 13% in the first quarter of fiscal 2014 due primarily to the accounting changes mentioned above with respect to TELETOON, which contributed to an overall increase in specialty advertising revenues of 35% and an increase in subscriber revenues of 14%. Specialty advertising revenues were also impacted by growth from the Company's Women's networks and the continued success of ABC Spark offset by softness in the Kid's networks and lower ratings on CMT and Telelatino. Subscriber revenues for first quarter of fiscal 2014 also reflect increased ABC Spark subscribers offset by a decline in Movie Central subscribers, as well as packaging and rate changes on certain specialty networks. Merchandising, distribution and other revenues declined 33% as a result of expected lower Beyblade merchandising revenues and lower library distribution revenues. Movie Central (including HBO Canada) ended the quarter with 974,000 subscribers, down 22,000 from the fourth quarter of fiscal 2013.

Total expenses increased 10% in the first quarter of fiscal 2014, due primarily to the consolidation of the 100% interest in TELETOON in the current year and restating the prior year to remove Corus' 50% proportionately consolidated interest in TELETOON. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) was up 9%, also driven higher by increased program rights amortization resulting from increased investment in programming to drive ratings, offset by lower variable costs tied to our distribution and merchandising businesses. General and administrative expenses were up 11% year-over-year, as savings related to the timing of certain expenditures and our continued focus on cost controls were offset by the impact of the accounting changes relating to TELETOON.

Segment profit increased 17% in the first quarter of fiscal 2014, while segment profit margin increased to 46% from 45% last year. The improvement in segment profit margin is primarily a result of cost controls, a reduced proportion of lower margin merchandising and distribution business in the quarter, and the inclusion of TELETOON at 100% interest.

Radio

The Radio division is comprised of 37 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

Financial Highlights

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2013**	2012
Revenues	**48,056**	52,324
Expenses	**32,219**	33,368
Segment profit[1]	**15,837**	18,956

[1]As defined in the "Key Performance Indicators" section

Revenues for the first quarter of fiscal 2014 decreased by 8% compared to the prior year due to continued advertising softness in most of the English-speaking markets in Canada, as well as ratings challenges in certain markets.

Direct cost of sales, general and administrative expenses in the first quarter of fiscal 2014 decreased by 3% compared to the prior year. Variable expenses decreased by 3% compared to the prior year, driven by lower sales commissions and copyright fees in connection with the revenue decline. Fixed costs, which represent a much higher proportion of the cost structure, decreased 4% in the quarter. This decrease was related to lower employee-related costs offset by higher hockey broadcast rights fees in fiscal 2014 compared to the NHL lockout in the prior year and a greater investment in marketing and promotion.

The Radio division's segment profit decreased by 16% in the quarter. Profit margin decreased from 36% in the prior year to 33% this quarter, primarily as a result of the revenue softness.

Corporate

The Corporate division is comprised of the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions.

Financial Highlights

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2013**	2012
Share-based compensation	**2,021**	1,602
Other general and administrative costs	**4,064**	3,359
	6,085	4,961

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest. Higher first quarter share-based compensation reflects a higher share price at the end of the current quarter compared to the prior year.

Other general and administrative costs are higher in the first quarter of fiscal 2014 due to a rebate on operating costs related to Corus Quay in the prior year.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2013, 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.

The following table sets forth certain unaudited data derived from the unaudited interim condensed consolidated financial statements for each of the eight most recent quarters ended November 30, 2013. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2013.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income attributable to shareholders	Earnings per share	
				Basic	Diluted
2014					
1st quarter	**226,005**	**92,276**	**150,891**	**$ 1.78**	**$ 1.78**
2013					
4th quarter [2]	181,897	49,431	11,879	$ 0.14	$ 0.14
3rd quarter[2]	187,073	63,064	89,913	$ 1.07	$ 1.07
2nd quarter [2]	172,620	50,962	5,944	$ 0.07	$ 0.07
1st quarter [2]	209,946	84,517	52,159	$ 0.63	$ 0.62
2012					
4th quarter[3]	195,624	60,862	23,341	$ 0.28	$ 0.28
3rd quarter[3]	204,078	75,656	43,221	$ 0.52	$ 0.51
2nd quarter[3]	205,683	62,247	31,571	$ 0.38	$ 0.38

Notes:
[1]As defined in the "Key Performance Indicators" section
[2]The fiscal 2013 quarters have been restated for the application of IFRS 11 – *Joint Arrangements*
[3] The fiscal 2012 quarters have not been restated for the application of IFRS 11 - *Joint Arrangements* and are as originally reported

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the first quarter of fiscal 2014 was positively impacted by a non-cash gain of $127.9 million ($1.51 per share) resulting from the remeasurement to fair value of the Company's 50% interest in TELETOON which was held prior to the consolidation on September 1, 2013. This was offset by business acquisition, integration and restructuring costs of $21.9 million ($0.25 per share), an increase in the purchase price obligation of $7.3 million ($0.09 per share) and investment impairment related charges of $3.3 million ($0.04 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2013 was negatively impacted by a non-cash expense of $5.7 million ($0.05 per share) related to broadcast license impairments on certain Radio clusters, a charge of $5.2 million ($0.05 per share) related to restructuring costs and investment impairment charges of $7.1 million ($0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2013 was positively impacted by the gain of $55.4 million ($0.66 per share) related to the disposal of the Company's non-controlling interest in Food Network Canada.
- Net income attributable to shareholders for the second quarter of fiscal 2013 was negatively impacted by the early redemption of all of the $500.0 million, 7.25% Senior Unsecured Guaranteed Notes that were due on February 10, 2017. A debt refinancing charge of $25.0 million ($0.22 per share) was recorded to reflect the redemption premium and the write-off of unamortized financing charges related to the 2017 Notes.
- Net income attributable to shareholders for the fourth quarter of fiscal 2012 was negatively impacted by a non-cash expense of $6.8 million ($0.08 per share) related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter of fiscal 2012.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2013.

Outlook

At its annual Investor Day, which is planned to be held on January 29, 2014, the Company will update investors on the Company's fiscal 2015 priorities and strategies, and provide financial guidance.

Financial Position

The major change in the Company's consolidated results arises from the consolidation of TELETOON at 100% effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements* (refer to note 15 to the interim condensed consolidated financial statements for further details). For fiscal 2013, as a result of retroactive application of IFRS 11 – *Joint Arrangements*, the prior year was restated by replacing the proportionate consolidation of TELETOON at 50% with a single investment amount in the "Investment in joint venture" line item in the consolidated statements of financial position (refer to note 3 to the interim condensed consolidated financial statements for further details).

Total assets at November 30, 2013 and August 31, 2013 were $2.7 billion and $2.2 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2013.

Current assets at November 30, 2013 were $397.4 million, up $87.3 million from August 31, 2013. Cash and cash equivalents increased by $27.8 million. The Company has recorded $6.4 million in restricted cash under current assets, representing funds held by TELETOON and owing to Bell Media Inc. ("Bell") in accordance with the purchase and sale agreement. This amount is also reflected in the purchase price obligation in current liabilities. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $54.0 million, of which $24.4 million relates to the TELETOON acquisition. 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.

The promissory note receivable of $47.8 million arose in fiscal 2013 from the sale of the Company's non-controlling interest in Food Network Canada to Shaw Media Inc. ("Shaw") and the acquisition of the remaining 49% interest in ABC Spark from Shaw. The balance remained unchanged from August 31, 2013.

Tax credits receivable increased $1.7 million as a result of tax credit accruals exceeding receipts related to film and interactive productions.

Intangibles, investments and other assets decreased $1.0 million, primarily as a result of increases in investments offset by equity losses from associates.

Investment in joint venture was eliminated as a result of the consolidation of TELETOON upon acquisition of control on September 1, 2013.

Property, plant and equipment decreased $3.2 million, as depreciation expense exceeded additions for the first three months of fiscal 2014.

Program and film rights increased $65.0 million, of which $66.6 million relates to the TELETOON acquisition. In addition, during the quarter additions of acquired rights of $48.9 million were offset by amortization of $50.5 million during the first three months of fiscal 2014.

Film investments increased $5.6 million, of which $0.9 million relates to the TELETOON acquisition. In addition, film spending (net of tax credit accruals) during the quarter of $8.6 million was offset by film amortization of $3.9 million.

Broadcast licenses increased $284.0 million and goodwill increased $217.0 million from August 31, 2013 as a result of the acquisition of control of TELETOON on September 1, 2013.

Accounts payable and accrued liabilities increased $36.8 million, of which $7.9 million relates to the TELETOON acquisition. The increase is also a result of higher current program rights payable, accrued liabilities and interest payable on long-term debt. Interest on the Notes is paid semi-annually, in February and August. The increase in accrued liabilities as a result of the interest payable on the Notes has been offset by reductions in compensation accruals.

Purchase price obligation of $261.2 million as at November 30, 2013 reflects amounts owing to Bell Media Inc. with respect to the TELETOON acquisition.

Provisions increased $1.0 million as a result of accruals made relating to work-force reduction and business integration initiatives taken in the first quarter of fiscal 2014.

Long-term debt at November 30, 2013 was $539.5 million, up $0.5 million as a result of the amortization of deferred financing charges.

Other long-term liabilities increased by $37.0 million, of which $33.2 million relates to the TELETOON acquisition. The increase is also due to the long-term portion of CRTC tangible benefits of $16.5 million relating to the TELETOON acquisition offset by lower program rights payable.

Share capital increased $6.0 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and issuance of stock options added $5.8 million and $0.2 million, respectively, to share capital.

Contributed surplus increased $0.4 million due to share-based compensation expense of $0.4 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased $27.8 million over the three months ended November 30, 2013. Free cash flow from operations for the three months ended November 30, 2013 was $49.6 million, compared to free cash flow of $39.8 million in the prior year. This increase in free cash flow primarily reflects higher cash from operating activities during the year. 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 three months ended November 30, 2013 was $52.0 million, compared to $37.8 million last year. The increase of $14.2 million arises from higher net income from operations before non-cash items and restricted cash of $9.8 million; higher spend on program rights of $3.4 million; decreased additions to film investments of $6.0 million; and lower working capital usage of $1.8 million.

Cash used in investing activities from operations in the three months ended November 30, 2013 was $3.9 million, compared to cash provided of $1.3 million in the prior year. The decrease of $5.2 million is attributable to a decrease of $1.6 million in additions to capital assets, offset by decreases in net cash flows for intangibles, investments and other assets of $1.9 million and dividends from joint venture of $4.9 million.

Cash used in financing activities in the three months ended November 30, 2013 was $20.3 million, compared to $11.3 million in the prior year. In the current year, dividends of $19.8 million were paid and the Company's payments under capital leases decreased by $1.6 million. In the prior year, the Company incurred $1.5 million relating to the repurchase of shares under the Normal Course Issuer Bid, increased bank debt by $10.0 million to fund temporary working capital requirements, and paid $17.5 million in dividends.

Liquidity

As at November 30, 2013, the Company had available approximately $500.0 million under a revolving term credit facility that matures on February 11, 2017. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at November 30, 2013, the Company had a cash balance of $109.0 million and a positive working capital balance. On January 1, 2014, the Company utilized $478.4 million of cash-on-hand and existing bank lines of credit to close the acquisition of the specialty television services Historia, Séries+ and the remaining 50% of TELETOON Canada Inc. (refer to note 16 of the interim condensed consolidated financial statements for further details).

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, 2013, net debt was $430.4 million, down from $457.7 million at August 31, 2013. Net debt to segment profit at November 30, 2013 was 1.7 compared to 1.8 times at August 31, 2013.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the first quarter of fiscal 2014.

Outstanding Share Data

As at December 31, 2013, 3,430,292 Class A Voting Shares and 81,381,816 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, 2013 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 Management's Discussion and Analysis contained in the Company's Annual Report for the year ended August 31, 2013, 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; non-cash gains or losses; debt refinancing and certain other income and expenses (refer to note 10 to the interim condensed 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 13 to the interim condensed consolidated financial statements.

Certain key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. The following tables reconcile those key performance indicators that are not in accordance with IFRS measures:

	Three months ended	
	November 30,	
[thousands of Canadian dollars]	**2013**	2012[1]
Cash provided by (used in):		
Operating activities	**51,983**	37,821
Investing activities	**(3,910)**	1,340
	48,073	39,161
Add back: cash used for business combinations and strategic investments	**1,563**	663
Free cash flow	**49,636**	39,824

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended	
	November 30,	
[thousands of Canadian dollars except per share amounts]	**2013**	2012[1]
Net income attributable to shareholders	**150,891**	52,159
Adjustments (net of tax):		
Gain on remeasurement to fair value of original 50% of TELETOON	**(127,884)**	—
Impact of business acquisition, integration and restructuring costs	**21,574**	—
Increase in purchase price obligation	**7,344**	—
Impact of investment impairment charges	**3,252**	—
Adjusted net income attributable to shareholders	**55,177**	52,159
Basic earnings per share	**$1.78**	$0.63
Adjustments (net of tax):		
Gain on remeasurement to fair value of original 50% of TELETOON	**($1.51)**	—
Impact of business acquisition, integration and restructuring costs	**$0.25**	—
Increase in purchase price obligation	**$0.09**	—
Impact of investment impairment charges	**$0.04**	—
Adjusted net income attributable to shareholders	**$0.65**	$0.63

(thousands of Canadian dollars)	**As at November 30, 2013**	As at August 31, 2013[1]
Long-term debt	**539,465**	538,966
Cash and cash equivalents	**(109,044)**	(81,266)
Net debt	**430,421**	457,700

(thousands of Canadian dollars)	**As at November 30, 2013**	As at August 31, 2013[1]
Net debt (numerator)	**430,421**	457,700
Segment profit (denominator)[2]	**255,733**	247,974
Net debt to segment profit	**1.7**	1.8

[1]Prior period figures have been restated to reflect the changes in accounting standards described in note 3 to the interim condensed consolidated financial statements contained in the 2014 Report to Shareholders.

[2]Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section.

Impact of New Accounting Policies

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by Corus is included in note 3 in Corus' August 31, 2013 consolidated financial statements and note 3 in Corus' November 30, 2013 interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited - in thousands of Canadian dollars]	**As at November 30, 2013**	As at August 31, 2013[(1)]	As at September 1, 2012[(1)]
ASSETS			
Current			
Cash and cash equivalents	**109,044**	81,266	19,198
Restricted cash (note 15)	**6,407**	—	—
Accounts receivable	**218,268**	164,302	163,345
Promissory note receivable (note 15)	**47,759**	47,759	—
Income taxes recoverable	**—**	351	9,542
Prepaid expenses and other	**15,928**	16,392	12,619
Total current assets	**397,406**	310,070	204,704
Tax credits receivable	**43,290**	41,564	43,865
Intangibles, investments and other assets (note 4)	**41,963**	42,975	42,390
Investment in joint venture (note 3)	**—**	125,931	121,704
Property, plant and equipment	**147,958**	151,192	163,280
Program and film rights (note 5)	**297,604**	232,587	229,306
Film investments (note 6)	**67,869**	62,274	67,847
Broadcast licenses (note 15)	**799,036**	515,036	520,770
Goodwill (note 15)	**863,026**	646,045	646,045
Deferred tax assets	**38,904**	39,463	28,327
	2,697,056	2,167,137	2,068,238
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**201,258**	164,443	177,367
Purchase price obligation (note 15)	**261,159**	—	—
Income taxes payable (note 12)	**4,053**	—	1,303
Provisions	**4,881**	3,941	2,322
Total current liabilities	**471,351**	168,384	180,992
Long-term debt (note 7)	**539,465**	538,966	518,258
Other long-term liabilities	**130,226**	93,241	87,588
Deferred tax liabilities	**201,607**	145,713	145,310
Total liabilities	**1,342,649**	946,304	932,148
Share capital (note 8)	**943,203**	937,183	910,005
Contributed surplus	**7,654**	7,221	7,835
Retained earnings	**385,806**	256,517	198,445
Accumulated other comprehensive income (loss)	**2,102**	1,653	(812)
Total equity attributable to shareholders	**1,338,765**	1,202,574	1,115,473
Equity attributable to non-controlling interest	**15,642**	18,259	20,617
Total shareholders' equity	**1,354,407**	1,220,833	1,136,090
	2,697,056	2,167,137	2,068,238

See accompanying notes
[(1)] Restated to reflect retroactive application of IFRS 11 – *Joint Arrangements* (note 3)

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[unaudited - in thousands of Canadian dollars except per share amounts]	Three months ended **November 30,** **2013**	2012[1]
Revenues	**226,005**	209,946
Direct cost of sales, general and administrative expenses (note 9)	**133,729**	125,429
Depreciation and amortization	**5,735**	6,406
Interest expense (note 10)	**9,270**	12,132
Business acquisition, integration and restructuring costs (note 15)	**21,922**	—
Gain on acquisition (note 15)	**(127,884)**	—
Other expense (income), net (note 11)	**9,711**	(5,529)
Income before income taxes	**173,522**	71,508
Income tax expense (note 12)	**21,180**	17,492
Net income for the period	**152,342**	54,016
Net income attributable to:		
Shareholders	**150,891**	52,159
Non-controlling interest	**1,451**	1,857
	152,342	54,016
Earnings per share attributable to shareholders:		
Basic	**$ 1.78**	$ 0.63
Diluted	**$ 1.78**	$ 0.62
Net income for the period	**152,342**	54,016
Other comprehensive income (loss), net of tax:		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**375**	290
Unrealized change in fair value of available-for-sale investments	**74**	290
	449	580
Comprehensive income for the period	**152,791**	54,596
Comprehensive income attributable to:		
Shareholders	**151,340**	52,739
Non-controlling interest	**1,451**	1,857
	152,791	54,596

See accompanying notes
[1] Restated to reflect retroactive application of IFRS 11 – *Joint Arrangements* (note 3)

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[unaudited - in thousands of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2013	937,183	7,221	256,517	1,653	1,202,574	18,259	1,220,833
Comprehensive income	—	—	150,891	449	151,340	1,451	152,791
Dividends declared	—	—	(21,602)	—	(21,602)	(4,068)	(25,670)
Issuance of shares under stock option plan	160	(24)	—	—	136	—	136
Issuance of shares under dividend reinvestment plan	5,860	—	—	—	5,860	—	5,860
Share-based compensation expense	—	457	—	—	457	—	457
At November 30, 2013	**943,203**	**7,654**	**385,806**	**2,102**	**1,338,765**	**15,642**	**1,354,407**
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090
Comprehensive income	—	—	52,159	580	52,739	1,857	54,596
Dividends declared	—	—	(20,050)	—	(20,050)	(5,013)	(25,063)
Issuance of shares under dividend reinvestment plan	6,788	—	—	—	6,788	—	6,788
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	340	—	—	340	—	340
At November 30, 2012	916,085	8,175	229,798	(232)	1,153,826	17,461	1,171,287

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited - in thousands of Canadian dollars]	Three months ended **November 30,** **2013**	2012[1]
OPERATING ACTIVITIES		
Net income for the period	**152,342**	54,016
Add (deduct) non-cash items:		
Depreciation and amortization	**5,735**	6,406
Amortization of program and film rights	**50,531**	41,128
Amortization of film investments	**3,912**	6,207
Deferred income taxes	**2,455**	(1,294)
Increase in purchase price obligation	**7,344**	—
Share-based compensation expense	**457**	340
Imputed interest	**3,036**	2,525
Business acquisition, integration and restructuring costs	**20,023**	—
Gain on acquisition	**(127,884)**	—
Other	**1,255**	(6,330)
Net change in non-cash working capital balances related to operations	**(22,659)**	(24,478)
Payment of program and film rights	**(28,091)**	(24,625)
Net additions to film investments	**(10,066)**	(16,074)
Increase in restricted cash	**(6,407)**	—
Cash provided by operating activities	**51,983**	37,821
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(1,936)**	(3,535)
Dividends from joint venture	**—**	4,890
Net cash flows for intangibles, investments and other assets	**(1,907)**	73
Other	**(67)**	(88)
Cash used in investing activities	**(3,910)**	1,340
FINANCING ACTIVITIES		
Increase in bank loans	**—**	9,985
Issuance of shares under stock option plan	**136**	—
Shares repurchased	**—**	(1,464)
Dividends paid	**(15,698)**	(13,223)
Dividends paid to non-controlling interest	**(4,068)**	(4,313)
Other	**(665)**	(2,312)
Cash used in financing activities	**(20,295)**	(11,327)
Net change in cash and cash equivalents during the period	**27,778**	27,834
Cash and cash equivalents, beginning of the period	**81,266**	19,198
Cash and cash equivalents, end of the period	**109,044**	47,032

Supplemental cash flow disclosures (note 14)
See accompanying notes
[1] Restated to reflect retroactive application of IFRS 11 – *Joint Arrangements* (note 3)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol CJR.B.

The Company's registered office is at 1500, 850 – 2nd Street SW, Calgary Alberta, T2P 0R8. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These interim condensed consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of radio stations; the operation of specialty, pay and conventional television networks; and the Corus content business which consists of the production and distribution of films and television programs, merchandise licensing, publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2013, except as described in note 3. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended August 31, 2013, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated statements have been authorized for issue in accordance with a resolution of the Audit Committee, as delegated by the Board of Directors, on January 13, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim condensed consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

Changes in accounting policies

In December 2011, the IASB amended both IAS 32 - *Financial Instruments: Presentation* and IFRS 7 - *Financial Instruments: Disclosures* by moving the disclosure requirements in IAS 32 to IFRS 7 and enhancing the disclosures about offsetting financial assets and liabilities. The effective date of the amendments is for the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of these standards and there is no impact on its consolidated financial statements.

IFRS 10 - *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 - *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 - *Consolidated and Separate Financial Statements*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company has assessed the impact of this standard and determined there is no impact on its consolidated financial statements.

IFRS 12 - *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 - *Consolidated and Separate Financial Statements,* IAS 31 - *Joint Ventures* and IAS 28 - *Investment in Associates*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but did not have an impact on the recognized amounts or measurements in the consolidated financial statements. As required, the enhanced disclosures will be included in the annual consolidated financial statements for the year ended August 31, 2014.

IFRS 13 - *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of this standard will affect disclosures but did not otherwise have a material impact on the consolidated financial statements. As required, the enhanced disclosures will be included in the annual consolidated financial statements for the year ended August 31, 2014.

IAS 28 - *Investments in Associates and Joint Ventures*

The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The adoption of the standard will have the impact noted in IFRS 11 - *Joint Arrangements* below.

IFRS 11 - *Joint Arrangements*

IFRS 11 replaced IAS 31 *Interest in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-monetary Contributions by Ventures*. The standard eliminates the use of the proportionate consolidation method to account for jointly controlled entities. Joint ventures as defined in IFRS 11 have been accounted for using the equity method of accounting while, for a joint operation, the venture will recognize its right to the assets, liabilities, revenues and expenses of the joint operation. The new standard was effective for Corus' fiscal year commencing September 1, 2013 with retroactive application to September 1, 2012. Historically, the Company proportionately consolidated its jointly controlled entity, TELETOON Canada Inc. With the adoption of this standard, the revenues, expenses, assets and liabilities from these operations for Corus' prior fiscal year are no longer proportionately consolidated in the Company's consolidated financial statements but have been replaced by "Investment in joint venture" in the consolidated statements of financial position and the Company's share of the joint venture's income is contained in *Other expense (income), net* in the consolidated statements of income and comprehensive income. The effect of the Company's retroactive application of this standard is summarized below for the consolidated statements of financial position, income and comprehensive income and cash flows for the periods indicated.

(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Financial Position

	August 31, 2013			September 1, 2012		
	Originally Published	**IFRS 11 Adjustment**	**Restated**	**Originally Published**	**IFRS 11 Adjustment**	**Restated**
Assets						
Cash and cash equivalents	86,081	(4,815)	81,266	24,588	(5,390)	19,198
Accounts receivable	176,504	(12,202)	164,302	173,421	(10,076)	163,345
Promissory note receivable	47,759	—	47,759	—	—	—
Income taxes recoverable	341	10	351	9,542	—	9,542
Prepaid expenses and other	16,416	(24)	16,392	12,664	(45)	12,619
Total current assets	327,101	(17,031)	310,070	220,215	(15,511)	204,704
Tax credits receivable	41,564	—	41,564	43,865	—	43,865
Intangibles, investments and other assets	42,975	—	42,975	42,390	—	42,390
Investments in joint venture	—	125,931	125,931	—	121,704	121,704
Property, plant and equipment	151,398	(206)	151,192	163,563	(283)	163,280
Program and film rights	289,181	(56,594)	232,587	271,244	(41,938)	229,306
Film investments	62,734	(460)	62,274	67,983	(136)	67,847
Broadcast licenses	563,771	(48,735)	515,036	569,505	(48,735)	520,770
Goodwill	674,393	(28,348)	646,045	674,393	(28,348)	646,045
Deferred tax assets	39,463	—	39,463	28,327	—	28,327
	2,192,580	**(25,443)**	**2,167,137**	**2,081,485**	**(13,247)**	**2,068,238**
Liabilities and Shareholders' Equity						
Accounts payable and accrued liabilities	172,663	(8,220)	164,443	185,991	(8,624)	177,367
Income taxes payable	—	—	—	—	1,303	1,303
Provisions	3,941	—	3,941	2,322	—	2,322
Total current liabilities	176,604	(8,220)	168,384	188,313	(7,321)	180,992
Long-term debt	538,966	—	538,966	518,258	—	518,258
Other long-term liabilities	105,020	(11,779)	93,241	87,853	(265)	87,588
Deferred tax liabilities	151,157	(5,444)	145,713	150,971	(5,661)	145,310
Total liabilities	971,747	(25,443)	946,304	945,395	(13,247)	932,148
Share capital	937,183	—	937,183	910,005	—	910,005
Contributed surplus	7,221	—	7,221	7,835	—	7,835
Retained earnings	256,517	—	256,517	198,445	—	198,445
Accumulated other comprehensive income (loss)	1,653	—	1,653	(812)	—	(812)
Total equity attributable to shareholders	1,202,574	—	1,202,574	1,115,473	—	1,115,473
Equity attributable to non-controlling interest	18,259	—	18,259	20,617	—	20,617
Total shareholders' equity	1,220,833	—	1,220,833	1,136,090	—	1,136,090
	2,192,580	**(25,443)**	**2,167,137**	**2,081,485**	**(13,247)**	**2,068,238**

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
November 30, 2013

(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Income and Comprehensive Income

	Three months ended November 30, 2012		
	Originally Published	**IFRS 11 Adjustment**	**Restated**
Revenues	226,147	(16,201)	209,946
Direct cost of sales, general and administrative expenses	133,454	(8,025)	125,429
Segment profit	92,693	(8,176)	84,517
Depreciation and amortization	6,429	(23)	6,406
Interest expense	12,132	—	12,132
Other expense (income), net	506	(6,035)	(5,529)
Income before income taxes	73,626	(2,118)	71,508
Income tax expense	19,610	(2,118)	17,492
Net income for the period	**54,016**	**—**	**54,016**
Net income attributable to:			
Shareholders	52,159	—	52,159
Non-controlling interest	1,857	—	1,857
	54,016	—	54,016
Earnings per share attributable to shareholders:			
Basic	$ 0.63	—	$ 0.63
Diluted	$ 0.62	—	$ 0.62
Net income for the period	54,016	—	54,016
Other comprehensive income (loss), net of tax:			
Items that may be reclassified subsequently to income:			
Unrealized foreign currency translation adjustment	290	—	290
Unrealized change in fair value of available-for-sale investments	290	—	290
	580	—	580
Comprehensive income for the period	**54,596**	**—**	**54,596**
Comprehensive income attributable to:			
Shareholders	52,739	—	52,739
Non-controlling interest	1,857	—	1,857
	54,596	—	54,596

(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Cash Flows

	Three months ended November 30, 2012		
	Originally Published	**IFRS 11 Adjustment**	**Restated**
Operating Activities			
Net income for the period	54,016	—	54,016
Add (deduct) non-cash items:			
Depreciation and amortization	6,429	(23)	6,406
Amortization of program and film rights	45,693	(4,565)	41,128
Amortization of film investment	6,207	—	6,207
Deferred income taxes	(1,294)	—	(1,294)
Share-based compensation expense	340	—	340
Imputed interest	2,525	—	2,525
Other	(304)	(6,026)	(6,330)
Net change in non-cash working capital balances related to operations	(29,133)	4,655	(24,478)
Payment of program and film rights	(27,626)	3,001	(24,625)
Net additions to film investments	(16,074)	—	(16,074)
Cash provided by operating activities	40,779	(2,958)	37,821
Investing Activities			
Additions to property, plant and equipment	(3,542)	7	(3,535)
Dividends from joint venture	—	4,890	4,890
Net cash flows for intangibles, investments and other assets	73	—	73
Other	(88)	—	(88)
Cash used in investing activities	(3,557)	4,897	1,340
Financing Activities			
Increase in bank loans	9,985	—	9,985
Shares repurchased	(1,464)	—	(1,464)
Dividends paid	(13,223)	—	(13,223)
Dividends paid to non-controlling interest	(4,313)	—	(4,313)
Other	(2,312)	—	(2,312)
Cash used in financing activities	(11,327)	—	(11,327)
Net change in cash and cash equivalents during the period	25,895	1,939	27,834
Cash and cash equivalents, beginning of the period	24,588	(5,390)	19,198
Cash and cash equivalents, end of period	**50,483**	**(3,451)**	**47,032**

Pending accounting changes

IFRS 9 - *Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging. The effective date of this pronouncement has been deferred by the IASB and is not determinable at this time. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

(in thousands of Canadian dollars, except per share information)

IFRIC 21 – *Levies*

In May 2013, the IFRS Interpretations Committee (IFRIC), with the approval of the IASB, issued IFRIC 21 – *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, which will be September 1, 2014 for Corus and is to be applied retrospectively. The Company is in the process of reviewing the interpretation to determine the impact on the consolidated financial statements.

4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance - August 31, 2013	19,726	6,710	16,539	42,975
Increase (decrease) in investment	364	(490)	1,406	1,280
Amortization of intangible assets	(1,620)	—	—	(1,620)
Fair value adjustment	—	(759)	87	(672)
Balance - November 30, 2013	**18,470**	**5,461**	**18,032**	**41,963**

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2013	232,587
Net additions	48,926
Acquisition (note 15)	66,622
Amortization	(50,531)
Balance – November 30, 2013	**297,604**

6. FILM INVESTMENTS

Balance – August 31, 2013	62,274
Net additions	8,586
Acquisition (note 15)	921
Amortization	(3,912)
Balance – November 30, 2013	**67,869**

7. LONG-TERM DEBT

	As at November 30, 2013	As at August 31, 2013
Senior unsecured guaranteed notes	**550,000**	550,000
Unamortized financing fees	**(10,535)**	(11,034)
	539,465	538,966

(in thousands of Canadian dollars, except per share information)

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at November 30, 2013, the weighted average interest rate on the outstanding bank loans and Notes was 4.3% (2013 – 7.1%). Interest on the bank loans and notes averaged 4.5% for the first quarter of fiscal 2013 (2013 – 7.1%).

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 agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at November 30, 2013.

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

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2013	3,430,292	26,564	81,049,146	910,619	937,183
Conversion of Class A Voting Shares to Class B Non-Voting Shares	—	—	—	—	—
Issuance of shares under stock option plan	—	—	7,700	160	160
Issuance of shares under dividend reinvestment plan	—	—	247,201	5,860	5,860
Shares repurchased	—	—	—	—	—
Balance as at November 30, 2013	**3,430,292**	**26,564**	**81,304,047**	**916,639**	**943,203**

Earnings per share

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

	Three months ended November 30, 2013	2012
Net income attributable to shareholders (numerator)	**150,891**	52,159
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**84,561**	83,402
Effect of dilutive securities	**265**	223
Weighted average number of shares outstanding - diluted	**84,826**	83,625

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 closing market price of the Company's stock on the trading date immediately preceding 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, 2013 is presented as follows:

	Number of options (#)	Weighted average exercise price per share ($)
Outstanding - August 31, 2013	2,158,073	20.17
Granted	642,600	23.67
Exercised	(7,700)	17.62
Outstanding - November 30, 2013	**2,792,973**	**20.68**

Granted in 2014 and vesting in:	**2014**	**2015**	**2016**	**2017**
Fair value	$ 3.78	$ 3.86	$ 3.71	$ 3.50
Risk-free interest rate	1.8%	1.9%	1.9%	2.0%
Expected dividend yield	4.3%	4.3%	4.3%	4.3%
Expected share price volatility	27.0%	27.3%	26.3%	24.9%
Expected time until exercise (years)	6	6	7	7

(in thousands of Canadian dollars, except per share information)

Share-based compensation

The following table provides additional information on the employee stock options, PSUs, DSUs and RSUs as at:

	November 30, 2013	August 31, 2013
Outstanding employee stock options	**2,792,973**	2,158,073
Exercisable employee stock options	**1,448,805**	1,063,380
Outstanding PSUs	**921,349**	910,301
Outstanding DSUs	**813,201**	738,516
Outstanding RSUs	**145,633**	138,618

Share-based compensation expense recorded for the first quarter of fiscal 2014 in respect of these plans was $2,021 (2013 – $1,602). As at November 30, 2013, the carrying value of the PSU, DSU and RSU units were $20,801 (August 31, 2013 – $27,046).

Dividend reinvestment plan

In the first quarter of fiscal 2014, the Company issued 247,201 Class B Non-Voting Shares, resulting in an increase in share capital of $5,860.

9. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **November 30,**	
	2013	2012
Amortization of program rights	**50,531**	41,128
Amortization of film investments	**3,912**	6,207
Other cost of sales	**8,189**	10,002
Employee costs	**36,791**	37,572
Other general and administrative	**34,306**	30,520
	133,729	125,429

10. INTEREST EXPENSE

	Three months ended **November 30,**	
	2013	2012
Interest on long-term debt	**5,780**	9,227
Imputed interest on long-term liabilities	**3,037**	2,525
Other	**453**	380
	9,270	12,132

(in thousands of Canadian dollars, except per share information)

11. OTHER EXPENSE (INCOME), NET

	Three months ended **November 30,**	
	2013	2012
Interest income	**(206)**	(13)
Foreign exchange loss (gain)	**(34)**	73
Equity loss (earnings) of investees	**1,249**	(289)
Income from joint venture	**—**	(6,026)
Increase in purchase price obligation	**7,344**	—
Other	**1,358**	726
	9,711	(5,529)

12. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2014 and 2013 is as follows:

	2014		2013	
	$	**%**	$	%
Tax at combined federal and provincial rates:	**45,778**	**26.4**	18,950	26.5
Income subject to tax at less than statutory rates	**(164)**	**(0.1)**	—	—
Non-taxable portion of capital gains	**(33,738)**	**(19.4)**	—	—
Non-deductible portion of transaction costs	**7,223**	**4.2**	—	—
Increase of various tax reserves	**2,056**	**1.2**	—	—
Miscellaneous differences	**25**	**0.0**	(1,458)	(2.0)
	21,180	**12.2**	17,492	24.5

13. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two segments: Television and Radio.

Television

The Television division is comprised of specialty television networks, pay television services, conventional television stations, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

Radio

The Radio division comprises 37 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

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

(in thousands of Canadian dollars, except per share information)

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, restructuring and certain other income and expenses.

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.

Three months ended November 30, 2013

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	177,949	48,056	—	**226,005**
Direct cost of sales, general and administrative expenses	95,425	32,219	6,085	**133,729**
Segment profit (loss)	82,524	15,837	(6,085)	**92,276**
Depreciation and amortization				**5,735**
Interest expense				**9,270**
Business acquisition, integration and restructuring costs				**21,922**
Gain on acquisition				**(127,884)**
Other expense, net				**9,711**
Income before income taxes				**173,522**

Three months ended November 30, 2012

	Television	Radio	Corporate	Consolidated
Revenues	157,622	52,324	—	209,946
Direct cost of sales, general and administrative expenses	87,100	33,368	4,961	125,429
Segment profit (loss)	70,522	18,956	(4,961)	84,517
Depreciation and amortization				6,406
Interest expense				12,132
Other income, net				(5,529)
Income before income taxes				71,508

The following tables present further details on the operating segments within the Television and Radio divisions:

Revenues are derived from the following areas:

	Three months ended **November 30,** **2013**	2012
Advertising	**123,372**	107,493
Subscriber fees	**79,115**	69,412
Merchandising, distribution and other	**23,518**	33,041
	226,005	209,946

(in thousands of Canadian dollars, except per share information)

Segment assets and liabilities

	November 30, 2013	August 31, 2013
Assets		
Television	**1,911,708**	1,408,929
Radio	**463,628**	460,341
Corporate	**321,720**	297,867
	2,697,056	2,167,137
Liabilities		
Television	**653,498**	251,387
Radio	**72,148**	75,488
Corporate	**617,003**	619,429
	1,342,649	946,304

Assets and liabilities are located primarily within Canada.

14. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended November 30, 2013	2012
Interest paid	**417**	706
Interest received	**206**	13
Income taxes paid	**12,700**	11,474

15. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisition of control of Teletoon Canada Inc. ("TELETOON")

On September 1, 2013, Corus determined that the definition of control as defined under IFRS 10 – *Consolidated Financial Statements* with respect to its investment in TELETOON was met. The determination of control was based on the following:

(1) Power over the investee:

- Effective September 1, 2013, as a consequence of an amendment to TELETOON's underlying shareholders agreement and changes to its board composition, the Company gained majority Board representation. This resulted in the Company gaining significant decision-making ability to direct the relevant activities of TELETOON;

(2) Exposure, or rights to variable returns of the investee:

- The Company had exposure to variable returns of TELETOON through its existing 50% equity interest, a fixed purchase price option, and potential operating synergies; and,

(3) The ability to use power over the investee to affect the amount of the investor's returns:

- The Company's rights to direct the relevant activities of TELETOON are substantive, and its exposure to the variable returns from TELETOON is such that the Company's ability to direct TELETOON's relevant activities could have a significant impact to Corus as an owner.

(in thousands of Canadian dollars, except per share information)

Accordingly, a business combination had occurred in accordance with IFRS 3 – *Business Combinations* and as a result, TELETOON must be accounted for by applying the acquisition method. The Company held a 50% equity ownership interest in TELETOON as at November 30, 2013 and received CRTC approval on December 20, 2013 to complete the acquisition of the remaining 50% interest in TELETOON that it did not already own. This acquisition closed on January 1, 2014. As a result of the change in control, the Company's existing equity interest must be remeasured to fair value as at the date of change in control.

The fair value of the Company's equity interest in TELETOON before the business combination amounted to $253.8 million. The Company recorded a non-cash gain of $127.9 million as a result of remeasuring at fair value its 50% previously owned equity interest of TELETOON, which is recorded as *Gain on acquisition* in the Consolidated Statements of Income and Comprehensive Income.

The results of the operations of TELETOON, as well as its assets and liabilities, are now included in the Television segment effective September 1, 2013 at 100%, with a liability of $261.2 million for the estimated purchase price owing to Bell Media Inc. ("Bell") included in current liabilities in the Consolidated Statements of Financial Position as at November 30, 2013. This liability has increased by $7.3 million from the preliminary purchase price equation below to reflect the changes in expected cash outflows due to Bell's participation in changes in working capital of $5.7 million and restricted cash of $1.6 million in the period, with a corresponding charge included in *Other (income) expense, net* in the Consolidated Statements of Income and Comprehensive Income.

The preliminary purchase equation, which was accounted for using the purchase method, includes certain estimates and will be finalized within twelve months of the acquisition date. The following table summarizes the fair value of the consideration owing and the fair value assigned to each major class of assets and liabilities.

Fair value recognized on acquisition date:	
Assets	
Cash	4,815
Restricted cash	4,815
Accounts receivable	24,382
Other assets	130
Program and film rights	66,622
Film investments	921
Broadcast license	284,000
	385,685
Liabilities	
Accounts payable and accrued liabilities	(7,868)
Other long-term liabilities	(33,192)
Deferred tax liability	(53,976)
	(95,036)
Total identifiable net assets at fair value	290,649
Goodwill arising on acquisition	216,981
Fair value of existing 50% ownership interest	(253,815)
Purchase price consideration owing	**253,815**

The Company identified intangible assets of $284.0 million related to broadcast licenses. Goodwill of $217.0 million arises principally from the ability to leverage media content and the expected operating synergies arising from the integration of the TELETOON businesses with Corus' existing operations. None of the goodwill recognized is expected to be deductible for income tax purposes. As part of the CRTC's decision approving the acquisition of TELETOON, the Company is required to spend $26.0 million in new benefits to the Canadian broadcasting system over the next seven years. The present value of this tangible benefits obligation, amounting to $20.0 million, was recorded as an acquisition cost in *Business acquisition, integration and restructuring costs* for the three months ended November 30, 2013 in the Consolidated Statements of Income and Comprehensive Income.

From the date of acquisition, 100% of TELETOON's revenues of $31.0 million and net income of $12.7 million have been included in the Consolidated Statements of Income and Comprehensive Income for the three month period ended November 30, 2013.

Transactions with Shaw Communications Inc. ("Shaw")

During the third quarter of 2013, the Company entered into a series of agreements with Shaw, a related party subject to common voting control.

On April 30, 2013, the Company disposed of its 20% interest in Food Network Canada to Shaw Media, a division of Shaw, for $66.8 million, resulting in a gain of $55.4 million. Contemporaneously, on April 30, 2013, the Company acquired the remaining 49% interest in the voting shares of ABC Spark from Shaw, increasing its ownership interest to 100%. The carrying value of the non-controlling interest of ABC Spark at the acquisition date was $1.9 million. The $17.1 million difference between the consideration and the carrying value of the interest acquired was recognized in retained earnings within shareholders' equity in fiscal 2013. The Company received a non-interest bearing promissory note from Shaw of $47.8 million to satisfy the net consideration in respect of these transactions.

In addition, the Company agreed to acquire from Shaw its 50% interest in its two French-language channels, Historia and Séries+ s.e.n.c. ("H&S"). The promissory note from Shaw is due and payable upon closing of the Company's acquisition of H&S from Shaw (note 16).

16. COMMITMENTS, CONTINGENCIES AND GUARANTEES

On March 4, 2013, the Company announced that it had entered into agreements (the "Bell Agreements") with Bell Media Inc. ("Bell") to acquire the 50% interest in TELETOON that it does not already own, two Ottawa-based radio stations, CKQB-FM and CJOT-FM, and a 50% interest in the French-language specialty channels, Historia and Séries+ s.e.nc. ("H&S"), each of which would be acquired by Bell as part of its acquisition of Astral Media Inc. ("Astral") prior to the sale to Corus. In addition, the Company announced that it had entered into a separate agreement with Shaw to acquire the remaining 50% interest in H&S (note 15). These transactions have received approval from the Competition Bureau and on December 20, 2013, the CRTC approved the TELETOON and H&S transactions which later closed on January 1, 2014. CRTC approval of the Ottawa radio stations is still pending.

The total purchase price to be paid by Corus pursuant to the transactions contemplated by the Bell Agreements is $400.6 million, subject to certain working capital adjustments. On January 2, 2014, the Company paid to Bell $387.6 million of this amount. The cash consideration paid on January 2, 2014 by Corus to Shaw, net of promissory note from Shaw (note 15) was $90.8 million, and is subject to certain possible further working capital adjustments. The Company is still awaiting CRTC approval of the two Ottawa-based radio stations; however, if Corus is unable to consummate this piece of the transaction contemplated by the Bell Agreements, under certain circumstances (including not being able to obtain CRTC approval), Corus has agreed to indemnify Bell for any net loss, up to a maximum of $13.0 million, that is suffered upon a subsequent sale of the radio assets to a third-party purchaser relative to the respective purchase price agreed to in the Bell Agreements.

As at November 30, 2013, the Company has no existing interest in H&S, nor does the Company have an existing interest in the Ottawa-based radio stations, CKQB-FM and CJOT-FM.

ENTERTAINMENT