CORUS ENTERTAINMENT

First Quarter 2015
Report to Shareholders

For the Three Months Ended November 30, 2014
(Unaudited)

CORUS ENTERTAINMENT INC.
First Quarter Report to Shareholders

TABLE OF CONTENTS

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,** **2014**	2013
Revenues		
Television	**181,490**	177,949
Radio	**45,621**	48,056
	227,111	226,005
Segment profit [1]		
Television	**83,779**	82,524
Radio	**12,820**	15,837
Corporate	**(3,323)**	(6,085)
	93,276	92,276
Net income attributable to shareholders	**51,906**	150,891
Adjusted net income attributable to shareholders [1] [2]	**51,906**	55,177
Basic earnings per share	**$ 0.60**	$ 1.78
Adjusted basic earnings per share [1] [2]	**$ 0.60**	$ 0.65
Diluted earnings per share	**$ 0.60**	$ 1.78
Free cash flow [1]	**33,382**	49,636

[1] Adjusted net income attributable to shareholders, adjusted basic earnings per share, segment profit and free cash flow do not have standardized meanings prescribed by IFRS. The Company reports on segment profit and free cash flow because they are key measures used to evaluate performance. For definitions and explanations, see discussion under the Key Performance Indicators section of the 2015 Report to Shareholders.

[2] For the quarter ended November 30, 2013, excludes the impact of a $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 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).

Significant Events in the Quarter

- On September 4, 2014, the Company announced a landmark deal with HBO that enables HBO Canada to exclusively deliver entire past-seasons of current HBO scripted series, providing additional value to Movie Central subscribers.
- On September 5, 2014, the Company's Calgary radio station, Country 105, was nominated by the Country Music Association ("CMA") in Nashville for a Major Market Station of the Year award.
- On September 5, 2014, the Company's President and Chief Executive Officer and Executive Chair joined Vice President, TSX Company Services, Toronto Stock Exchange and TSX Venture Exchange in opening the market to commemorate Corus' 15 years as a Toronto Stock Exchange listed company.
- On September 10, 2014, the Company appeared before the Canadian Radio-television and Telecommunications Commission ("CRTC") to present its submission for the "Let's Talk TV" hearing.
- On September 18, 2014, the Company announced a strategic partnership with Kin, a Santa Monica-based lifestyle digital media company, which brings the company's multichannel network, Kin Community, and its lifestyle creators, award-winning programming and advertising opportunities to the Canadian marketplace. In addition to acquiring an equity stake in the company, Corus will become the exclusive media representative for Kin Community in Canada.
- On September 30, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On October 7, 2014, the Company received the 2014 Change Maker Award from The Daily Bread Food Bank in recognition of Corus' support for innovative programs such as Corus Feeds Kids, which raises awareness of hunger in Canada.
- On October 8, 2014, the Company's Nelvana Studio was nominated by the International Academy of Television Arts & Sciences for an International Emmy Kids Award for the preschool series *Mike the Knight.* Winners will be announced in New York on February 20, 2015.
- On October 13, 2014, the Company partnered with Emmy®-winning primetime animation production company, Bento Box Entertainment, on a multi-year co-development and production deal. Bento Box and Corus will create a slate of original series for TELETOON's primetime programming block TELETOON at Night to debut in 2016 and will also, in partnership with Corus, bring these series to the U.S. and the international marketplace for linear and digital distribution.
- On October 30, 2014, Canadian Music Week announced that Corus' President and CEO, John Cassaday, will be inducted into the Canadian Broadcast Industry Hall of Fame at the Canadian Music & Broadcast Industry Awards gala in May, 2015. Mr. Cassaday will be honoured for his exceptional commitment and significant contributions to the broadcast industry. Previous broadcasting industry luminaries similarly honoured include Ian Greenberg, Ted Rogers and Allan Waters.
- On October 31, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On November 4, 2014, the Company was named one of Canada's Top 100 Employers for 2015 by Mediacorp Canada Inc. This award recognizes industry leaders that create exceptional work environments which are valued by employees.

- On November 10, 2014, the Company announced an investment in Execution Labs, a game accelerator and investment platform, to support emerging independent game studios. This investment will provide Corus with an opportunity to gain exposure to the mobile gaming space.
- On November 19, 2014, the Company announced its strategic initiative with Fingerprint Digital Inc., in which the Company has an equity investment, to develop a global mobile entertainment platform for kids aged two to seven. Set to launch globally in 2015, the platform will offer preschoolers a safe, fun and branded environment to enjoy videos, games, music and eBooks featuring their favourite Nelvana characters.
- On November 19, 2014, the Company announced the launch of TV Everywhere apps for its popular kids channels Treehouse, YTV and TELETOON in 2015. The TV Everywhere apps will be available to subscribers of the linear services in Canada on iOS and Android devices.
- On November 20, 2014, Nelvana appointed Kin Community, in which it has an equity investment, to manage and optimize Nelvana's content offerings on YouTube. The agreement will leverage Kin's expertise in the non-linear space to expand Nelvana's global presence on YouTube channels and drive engagement with its key brands.
- On November 20, 2014, the Company announced that it had entered into new origination deals with a number of Canadian broadcasters, including DHX Media, to transmit their broadcast feeds from Corus' state-of-the-art media and broadcast facility, Corus Quay.
- On November 20, 2014, the Company held its annual Investor Day and updated investors on its fiscal 2015 priorities. The Company confirmed its fiscal 2015 guidance targets of consolidated segment profit of $300.0 million to $320.0 million and free cash flow in excess of $180.0 million. A recorded webcast of the event is available on www.corusent.com in the Investor Relations section in the Audio/Video Centre.
- On November 28, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On December 8, 2014, the Company was named, for the fifth time, one of Greater Toronto's Top Employers for 2015 by Mediacorp Canada Inc. This special designation recognizes Greater Toronto employers that lead their industries in offering exceptional places to work.
- On December 30, 2014, the Company paid a monthly dividend of $0.090417 and $0.090833 per share to holders of its Class A and Class B Shares, respectively.
- On January 12, 2015, the Company's founding President and CEO, John Cassaday, announced he will retire from Corus at the end of his contract term, effective March 30, 2015. Under Mr. Cassaday's leadership, Corus has grown to become a leading media and entertainment company with a diversified portfolio of powerful brands, encompassing television, radio and content assets. The Company also announced that its COO, Doug Murphy, will assume the position of President and CEO upon Mr. Cassaday's departure. Mr. Murphy is a seasoned executive with 12 years of experience in various leadership roles at Corus.
- On January 13, 2015, the Company announced that it had approved a $0.05 per share increase in its annual dividend. The Company's monthly dividend for holders of its Class A and Class B Shares was increased to $0.094583 and $0.095, respectively, or $1.0135 and $1.14, 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, 2014 is prepared at December 31, 2014. 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, 2014 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.

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 relate 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.

This document contains forward-looking statements about expected future events and the financial operating performance of the Company. Annual targets for fiscal 2015 and related assumptions are described in the *Outlook* section of this MD&A.

A discussion on the Company's results of operations for fiscal 2014 can be found in the Company's Annual Report for the year ended August 31, 2014, filed on SEDAR on December 11, 2014.

Overview of Consolidated Results

Net income attributable to shareholders for the first quarter of fiscal 2015 was $51.9 million on revenues of $227.1 million, as compared to $150.9 million on revenues of $226.0 million in the prior year. Consolidated segment profit increased 1% from the prior year, with an increase of 2% in the Television segment offset by a decrease of 19% in the Radio segment. Further analysis is provided in the discussions of segmented results.

For fiscal 2014, the operating results of TELETOON Canada Inc. ("TELETOON"), as well as its assets and liabilities, have been fully consolidated effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 - *Consolidated Financial Statements.* Further discussion is provided in note 27 of the Company's audited consolidated financial statements for the year ended August 31, 2014.

Revenues

Revenues for the first quarter of fiscal 2015 were $227.1 million, up from $226.0 million last year. On a consolidated basis, subscriber revenues increased by 8%, advertising revenues decreased by 2% and merchandising, distribution and other revenues decreased by 12%. Revenues increased for Television by 2%, while Radio decreased by 5% in the first quarter compared to the prior year. Further analysis of revenues is provided in the discussions of segmented results.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the first quarter of fiscal 2015 were $133.8 million, consistent with the prior year. Fiscal 2015 reflects higher costs in the Television and Radio reporting segments offset by decreases in the Corporate reporting segment. Further analysis of expenses is provided in the discussions of segmented results.

Depreciation and amortization

Depreciation and amortization expense of $5.8 million for the first quarter of fiscal 2015 was consistent with the first quarter of fiscal 2014.

Interest expense

Interest expense of $12.7 million in the first quarter of fiscal 2015 was $3.4 million higher than the prior year, primarily due to increased bank debt to finance business acquisitions made in the prior year. The effective interest rate on bank loans and notes for the three months ended November 30, 2014 was 4.0% compared to 4.5% 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 of restructuring costs related to the fiscal 2013 organizational structure realignment and professional fees related to 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, net

Other expense for the three months ended November 30, 2014 was $1.8 million, a decrease of $7.9 million from the prior year. The prior year included an increase in the purchase price obligation arising from the acquisition of control of TELETOON of $7.3 million.

Income tax expense

The effective tax rate for the three months ended November 30, 2014 was 27.2% compared to the Company's 26.5% statutory rate.

Net income and earnings per share

Net income attributable to shareholders for the first quarter of fiscal 2015 was $51.9 million, as compared to net income attributable to shareholders of $150.9 million last year. Earnings per share attributable to shareholders for the first quarter of fiscal 2015 was $0.60 per share basic and diluted compared with $1.78 per share basic and diluted last year. Net income for the prior year 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 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) for the prior year.

The weighted average number of basic shares outstanding for the three months ended November 30, 2014, was 85,913,000, and has increased in the current year due to the issuance and exercise 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 year-to-date November 30, 2014 was $0.9 million, compared to $0.4 million in the prior year. This increase of $0.5 million resulted primarily from higher unrealized gains from foreign currency translation adjustments in the current year.

Television

The Television segment is comprised of: YTV; Treehouse; Nickelodeon (Canada); ABC Spark; TELETOON, TÉLÉTOON, TELETOON Retro, TÉLÉTOON Rétro and Cartoon Network (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Historia and Séries+ (acquired January 1, 2014); 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, Univision (Canada), Telebimbi, CineLatino), and Cosmopolitan TV.

Financial Highlights

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2014**	2013
Revenues	**181,490**	177,949
Expenses	**97,711**	95,425
Segment profit [1]	**83,779**	82,524

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

Revenues increased 2% in the first quarter of fiscal 2015, with increases of 1% and 8% for specialty advertising and subscriber revenues, respectively. Prior year's results did not include Historia and Séries+ ("H&S") which were acquired on January 1, 2014. Although the first quarter of fiscal 2015 benefited from the inclusion of H&S, this was offset by general softness in advertising demand across all verticals despite continued strong ratings, particularly in Corus' Women and Family vertical. Merchandising, distribution and other revenues declined 14% in the quarter, primarily as a result of lower merchandising revenues, offset by moderate increases in distribution revenues.

Total expenses in the first quarter of fiscal 2015 increased by 2% compared to the prior year, due to additional costs from the H&S acquisition. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) are higher by 7% due to higher program rights amortization costs from the H&S acquisition and increased investments in new content to drive ratings and revenue. General and administrative expenses decreased 6% from the prior year, driven by synergies resulting from the TELETOON acquisition and a continued focus on cost control, offset by increased costs resulting from the H&S acquisition.

Segment profit increased 2% in the first quarter of fiscal 2015 while segment profit margin was consistent with the prior year at 46%.

Radio

The Radio segment is comprised of 39 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)	**2014**	2013
Revenues	**45,621**	48,056
Expenses	**32,801**	32,219
Segment profit[1]	**12,820**	15,837

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

Revenues for the first quarter of fiscal 2015 decreased by 5% compared to the prior year, primarily due to soft ratings and advertising challenges in certain key large market radio stations which offset the inclusion of incremental revenues from the Ottawa radio stations, acquired January 31, 2014, and revenue growth in several radio clusters in Alberta and Ontario. Based on Numeris (formerly BBM) data released subsequent to the quarter, the recent repositioning of key large market Radio stations is starting to translate into improved ratings, particularly in Toronto, Vancouver and Calgary. As well, the Calgary cluster continues to be a market leader with Country 105 nominated by the Country Music Association (CMA) in Nashville for its *Major Market Station of the Year* award during the quarter.

Direct cost of sales, general and administrative expenses in the first quarter of fiscal 2015 increased by 2% compared to the prior year. Variable expenses decreased 8% compared to the prior year, driven mainly by lower costs that are directly correlated to revenue and lower commissions as a result of the sales restructuring in the fourth quarter of fiscal 2014. Fixed costs, which represent a much higher proportion of the cost structure, increased 7% in the quarter driven by incremental costs from the Ottawa radio stations which were acquired January 31, 2014.

Segment profit decreased 19% in the quarter. Segment profit margin decreased from 33% in the prior year to 28% this quarter, as a result of the revenue softness and the investment in Corus' Ottawa radio stations.

Corporate

The Corporate results are 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)	**2014**	2013
Share-based compensation	**898**	2,021
Other general and administrative costs	**2,425**	4,064
	3,323	6,085

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. Lower first quarter fiscal 2015 share-based compensation reflects a decrease in the number of units that achieved vesting targets compared to the prior year and a lower share price compared to the prior year.

Other general and administrative costs decreased 40% in the first quarter of fiscal 2015, primarily as a result of lower costs related to performance incentive plans and a continued focus on cost control.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2014, 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, 2014. In Management's opinion, these unaudited 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, 2014.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income attributable to shareholders	Adjusted net income attributable to shareholders	Earnings per share		
					Basic	Diluted	Adjusted
2015							
1st quarter	**227,111**	**93,276**	**51,906**	**51,906**	**$ 0.60**	**$ 0.60**	**$ 0.60**
2014							
4th quarter	201,557	58,349	23,727	26,785	$ 0.28	$ 0.28	$ 0.31
3rd quarter	214,041	79,731	(30,325)	41,602	$ (0.36)	$ (0.36)	$ 0.49
2nd quarter	191,413	59,282	6,116	26,780	$ 0.07	$ 0.07	$ 0.32
1st quarter	226,005	92,276	150,891	55,177	$ 1.78	$ 1.78	$ 0.65
2013							
4th quarter	181,897	50,931	11,879	25,816	$ 0.14	$ 0.14	$ 0.31
3rd quarter	187,073	64,564	89,913	34,519	$ 1.07	$ 1.07	$ 0.41
2nd quarter	172,620	50,962	5,944	24,432	$ 0.07	$ 0.07	$ 0.29

[1]As defined in "Key Performance Indicators"

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the fourth quarter of fiscal 2014 was negatively impacted by business acquisition, integration and restructuring costs of $5.6 million ($0.04 per share) offset by an investment impairment recovery of $1.0 million ($0.01 per share).

- Net income attributable to shareholders for the third quarter of fiscal 2014 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of $75.0 million ($0.85 per share), capital asset impairment charges of $1.2 million ($0.01 per share), business acquisition, integration and restructuring costs of $0.6 million ($0.01 per share) and positively impacted by a decrease in the purchase price obligation of $2.0 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2014 was negatively impacted by non-cash radio broadcast license impairment charges of $8.0 million ($0.07 per share), business acquisition, integration and restructuring costs of $18.7 million ($0.20 per share), and positively impacted by a decrease in the purchase price obligation of $2.1 million ($0.02 per share).
- 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.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2014.

Outlook

The following forward looking information is governed in its entirety by the "Cautionary Statement Regarding Forward-Looking Statements" found in the introductory section of this MD&A.

At its annual Investor Day on November 20, 2014, the Company confirmed its previously announced fiscal 2015 guidance of $300 million to $320 million in consolidated segment profit and free cash flow in excess of $180 million. The segment profit guidance assumes a proforma starting point of $300 million based on actual fiscal 2014 results of $290 million, plus an extra four months of earnings from Historia and Séries+, and an extra five months of earnings from Ottawa Radio. The low end of the range is effectively no growth while the upper end of the range is approximately 6% growth, which is achievable assuming Government of Canada Gross Domestic product forecast increases of 2% to 3% to support the discretionary nature of advertising expenditures, minimal subscriber growth based on historical subscriber trending, modest merchandising, distribution and other revenues growth based on the timing of launches of Corus' new merchandising brands and comparable programming expense growth. Free cash flow guidance for fiscal 2015 is based on the Company's recent historical working capital run-rates and annual capital expenditures of $20 million to $25 million, and the Company's ability to meet its segment profit guidance for fiscal 2015 of $300 million to $320 million.

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

FINANCIAL POSITION

Total assets at November 30, 2014 and August 31, 2014 were $2.9 billion and $2.8 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2014.

Current assets at November 30, 2014 were $257.1 million, up $39.7 million from August 31, 2014. Cash and cash equivalents increased by $16.3 million. Further analysis of cash flows is provided in the next section.

Accounts receivable increased $33.9 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 $1.7 million as a result of tax credit accruals exceeding receipts related to film and interactive productions.

Intangibles, investments and other assets increased $12.6 million, primarily as a result of increases in investments offset by equity losses from associates and amortization of intangibles.

Property, plant and equipment decreased $2.1 million as a result of depreciation expense exceeding additions for the first three months of fiscal 2015.

Program and film rights increased $18.4 million from year-end, as additions of acquired rights of $72.7 million were offset by amortization of $54.3 million during the first three months of fiscal 2015.

Film investments decreased $0.7 million, as film spending (net of tax credit accruals) of $6.2 million was offset by film amortization of $6.9 million.

Broadcast licenses and goodwill remained consistent with August 31, 2014 balances.

Accounts payable and accrued liabilities increased $59.1 million from year-end, primarily as 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 4.25% Senior Unsecured Guaranteed notes ("Notes") has been offset by reductions in accruals for performance incentive plans, stock-based compensation and third-party participation.

Provisions have decreased $1.7 million as a result of payments made to draw down accruals relating to work-force reduction and business initiatives taken in fiscal 2014.

Long-term debt at November 30, 2014 was $894.7 million, up $20.4 million as a result of the Company's draw-down on credit facilities to finance the business operations and investments.

Other long-term liabilities decreased by $48.7 million from year-end, primarily from decreases in long-term program rights payable and long-term employee obligations as a result of a payment in stock based compensation during the quarter.

Share capital increased $7.2 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and issuance of stock options added $5.5 million and $1.7 million, respectively, to share capital.

Contributed surplus increased $0.2 million due to share-based compensation expense of $0.5 million, offset by the issuance of shares under the stock option plan of $0.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position increased by $16.3 million over the three months ended November 30, 2014. Free cash flow for the three months ended November 30, 2014 was $33.4 million, compared to free cash flow of $49.6 million in the prior year. This decrease in free cash flow primarily reflects lower cash from operating activities, and timing of program rights payments. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash provided by operating activities in the three months ended November 30, 2014 was $36.9 million, compared to $52.0 million last year. The decrease of $15.1 million arises from an increase in net income from operations before non-cash items of $8.3 million and a lower restricted cash of $6.4 million, offset by higher additions to program rights of $22.3 million, film investments of $3.7 million and higher cash outflows from working capital of $3.8 million.

Cash used in investing activities in the three months ended November 30, 2014 was $18.5 million, compared to $3.9 million in the prior year. The increase of $14.6 million is attributable to the increase in net cash outflows for intangibles, investments and other assets of $13.3 million, additions to property plant and equipment of $0.9 million and CRTC benefits payments of $0.4 million.

Cash used in financing activities in the three months ended November 30, 2014 was $2.1 million, compared to $20.3 million in the prior year. In the current year, the Company increased bank loans by $19.8 million, paid dividends of $22.1 million, made capital lease payments of $1.3 million and received $1.4 million from issuance of shares under the stock option plan. In the prior year, the Company paid dividends of $19.8 million, made capital lease payments of $0.7 million and received $0.1 million from issuance of shares under the stock option plan.

Liquidity

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are not to exceed a net debt to segment profit ratio of 3.5 times, and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the net debt to segment profit ratio to go outside of the long-term guideline range (for long-term investment opportunities), but endeavours to return to the policy guideline range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. The Company is currently operating within these internally imposed objectives.

On February 3, 2014, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected was the establishment of a two year $150.0 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The revolving facility is used to finance permitted acquisitions and capital expenditures and for general corporate requirements in the ordinary course of business, while the term loan facility is used to refinance outstanding advances under the revolving facility. Both the term and revolving facilities are subject to the same covenants and security. Interest rates on both the term and revolving facility loans fluctuate with Canadian prime rate, Canadian bankers' acceptances and/or LIBOR plus an applicable margin. As at November 30, 2014, the Company had available approximately $296.5 million under the revolving term credit facility and was in compliance with all loan covenants.

As at November 30, 2014, the Company had a cash balance of $27.8 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, 2014, net debt was $866.8 million, up from $862.7 million at August 31, 2014. Net debt to segment profit at November 30, 2014 was consistent with August 31, 2014 at 3.0 times. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters. Net debt to segment profit has remained consistent as it includes increased debt to finance the business acquisitions, but only includes segment profit for the acquired assets from the date of acquisition. Further discussion on this is contained in the Key Performance Indicators section.

Total capitalization

At November 30, 2014, total capitalization was $2,210.9 million, an increase of $38.1 million from August 31, 2014. The increase results from an increase in bank debt to finance investments and program rights additions.

Off-Balance Sheet arrangements and derivative financial instruments

During the second quarter of fiscal 2014, the Company entered into a Canadian interest rate swap agreement to fix the interest rate on its outstanding term loan facility. The counterparties of the swap agreements are highly rated financial institutions and the Company did not anticipate any non-performance. The fair value or future cash flows of interest rate swap derivatives increase (decrease) with fluctuations in market interest rates. The estimated fair value of these agreements at November 30, 2014 is $0.1 million, which has been recorded in the Interim Condensed Consolidated Statements of Financial Position as a liability.

Contractual commitments

The Company has added no other significant unfulfilled contractual obligations in the first quarter of fiscal 2015.

OUTSTANDING SHARE DATA

As at December 31, 2014, 3,427,792 Class A Voting Shares and 82,744,270 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, 2014 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 Annual Report for the year ended August 31, 2014, 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, 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; debt refinancing; non-cash gains or losses and certain other income and expenses (note 13 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 13 to the condensed interim consolidated financial statements. Segment profit does not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and is not necessarily comparable to similar measures presented by other companies.

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:

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities, as reported in the consolidated statements of cash flows, and then adding back cash used specifically for business combinations and strategic investments. Free cash flow is a key metric used by the investing community that measures the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends, and repurchase shares. Free cash flow does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Free cash flow should not be considered in isolation or as a substitute for cash flows prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

	Three months ended **November 30,**	
[thousands of Canadian dollars]	**2014**	2013
Cash provided by (used in):		
Operating activities	**36,887**	51,983
Investing activities	**(18,495)**	(3,910)
	18,392	48,073
Add back: cash used for business combinations and strategic investments	**14,990**	1,563
Free cash flow	**33,382**	49,636

Adjusted net income and adjusted basic earnings per share

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. Management uses adjusted net income and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income and adjusted basic earnings per share are defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; costs of debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes that adjusted net income and adjusted basic earnings per share is a useful measure that facilitates period-to-period operating comparisons. Adjusted net income and adjusted basic earnings per share does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted net income and adjusted earnings per share should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended **November 30,**	
(thousands of Canadian dollars, except per share amounts)	**2014**	2013
Net income attributable to shareholders	**51,906**	150,891
Adjustments (net of tax):		
Gain on remeasurement to fair value of original 50% of TELETOON	—	(127,884)
Increase in purchase price obligation	—	7,344
Impact of business acquisition, integration and restructuring costs	—	21,574
Impact of investment impairment charges	—	3,252
Adjusted net income attributable to shareholders	**51,906**	55,177
Basic earnings per share	**$0.60**	$1.78
Adjustments (net of tax):		
Gain on remeasurement to fair value of original 50% of TELETOON	—	(1.51)
Increase in purchase price obligation	—	0.09
Impact of business acquisition, integration and restructuring costs	—	0.25
Impact of investment impairment charges	—	0.04
Adjusted basic earnings per share	**$0.60**	$0.65

Net Debt / Net Debt to Segment Profit

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated statements of financial position. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date. Net debt to segment profit is an important measure of the Company's liquidity. Net debt and net debt to segment profit do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

(thousands of Canadian dollars)	**As at November 30, 2014**	As at August 31, 2014
Long-term debt	**894,680**	874,251
Cash and cash equivalents	**(27,840)**	(11,585)
Net debt	**866,840**	862,666

(thousands of Canadian dollars)	**As at November 30, 2014**	As at August 31, 2014
Net debt (numerator)	**866,840**	862,666
Segment profit (denominator)[1]	**290,638**	289,638
Net debt to segment profit	**3.0**	3.0

[1] Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section and includes the segment profit of the acquired assets from the date of acquisition.

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, 2014 consolidated financial statements and note 3 in Corus' November 30, 2014 interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited — in thousands of Canadian dollars]	**As at November 30, 2014**	As at August 31, 2014
ASSETS		
Current		
Cash and cash equivalents	**27,840**	11,585
Accounts receivable	**216,887**	183,009
Income taxes recoverable	**—**	9,768
Prepaid expenses and other	**12,330**	13,032
Total current assets	**257,057**	217,394
Tax credits receivable	**30,764**	29,044
Intangibles, investments and other assets (note 4)	**60,214**	47,630
Property, plant and equipment	**141,483**	143,618
Program and film rights (note 5)	**348,790**	330,437
Film investments (note 6)	**62,794**	63,455
Broadcast licenses	**979,984**	979,984
Goodwill	**934,859**	934,859
Deferred tax assets	**36,534**	38,161
	2,852,479	2,784,582
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**229,543**	170,411
Income taxes payable	**3,611**	—
Provisions	**3,644**	5,314
Total current liabilities	**236,798**	175,725
Long-term debt (note 7)	**894,680**	874,251
Other long-term liabilities	**123,099**	171,793
Deferred tax liabilities	**253,877**	252,687
Total liabilities	**1,508,454**	1,474,456
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**974,526**	967,330
Contributed surplus	**8,622**	8,385
Retained earnings	**341,803**	313,361
Accumulated other comprehensive income	**4,649**	3,767
Total equity attributable to shareholders	**1,329,600**	1,292,843
Equity attributable to non-controlling interest	**14,425**	17,283
Total shareholders' equity	**1,344,025**	1,310,126
	2,852,479	2,784,582

See accompanying notes

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, 2014	2013
Revenues	**227,111**	226,005
Direct cost of sales, general and administrative expenses (note 9)	**133,835**	133,729
Depreciation and amortization	**5,774**	5,735
Interest expense (note 10)	**12,681**	9,270
Business acquisition, integration and restructuring costs	**—**	21,922
Gain on acquisition	**—**	(127,884)
Other expense, net (note 11)	**1,806**	9,711
Income before income taxes	**73,015**	173,522
Income tax expense (note 12)	**19,833**	21,180
Net income for the period	**53,182**	152,342
Net income attributable to:		
Shareholders	**51,906**	150,891
Non-controlling interest	**1,276**	1,451
	53,182	152,342
Earnings per share attributable to shareholders:		
Basic	**$ 0.60**	$ 1.78
Diluted	**$ 0.60**	$ 1.78
Net income for the period	**53,182**	152,342
Other comprehensive income (loss), net of tax:		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**1,230**	375
Unrealized change in fair value of available-for-sale investments	**(310)**	74
Unrealized change in fair value of cash flow hedges	**(38)**	—
	882	449
Comprehensive income for the period	**54,064**	152,791
Comprehensive income attributable to:		
Shareholders	**52,788**	151,340
Non-controlling interest	**1,276**	1,451
	54,064	152,791

See accompanying notes

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	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2014	967,330	8,385	313,361	3,767	1,292,843	17,283	1,310,126
Comprehensive income	—	—	51,906	882	52,788	1,276	54,064
Dividends declared	—	—	(23,464)	—	(23,464)	(4,134)	(27,598)
Issuance of shares under stock option plan	1,711	(292)	—	—	1,419	—	1,419
Issuance of shares under dividend reinvestment plan	5,485	—	—	—	5,485	—	5,485
Share-based compensation expense	—	529	—	—	529	—	529
At November 30, 2014	**974,526**	**8,622**	**341,803**	**4,649**	**1,329,600**	**14,425**	**1,344,025**
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

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited - in thousands of Canadian dollars]	Three months ended November 30, **2014**	2013
OPERATING ACTIVITIES		
Net income for the period	**53,182**	152,342
Add (deduct) non-cash items:		
Depreciation and amortization	**5,774**	5,735
Amortization of program and film rights	**54,337**	50,531
Amortization of film investments	**6,921**	3,912
Deferred income taxes	**2,847**	2,455
Increase in purchase price obligation	**—**	7,344
Share-based compensation expense	**529**	457
Imputed interest	**3,496**	3,036
Tangible benefit obligation	**—**	20,023
Gain on acquisition	**—**	(127,884)
Other	**482**	1,255
Net change in non-cash working capital balances related to operations	**(26,449)**	(22,659)
Payment of program and film rights	**(50,417)**	(28,091)
Net additions to film investments	**(13,815)**	(10,066)
Increase in restricted cash	**—**	(6,407)
Cash provided by operating activities	**36,887**	51,983
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(2,823)**	(1,936)
Net cash flows for intangibles, investments and other assets	**(15,161)**	(1,907)
Other	**(511)**	(67)
Cash used in investing activities	**(18,495)**	(3,910)
FINANCING ACTIVITIES		
Increase in bank loans	**19,791**	—
Issuance of shares under stock option plan	**1,419**	136
Dividends paid	**(17,919)**	(15,698)
Dividends paid to non-controlling interest	**(4,134)**	(4,068)
Other	**(1,294)**	(665)
Cash used in financing activities	**(2,137)**	(20,295)
Net change in cash and cash equivalents during the period	**16,255**	27,778
Cash and cash equivalents, beginning of the period	**11,585**	81,266
Cash and cash equivalents, end of the period	**27,840**	109,044

Supplemental cash flow disclosures (note 14)
See accompanying notes

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, 2014, 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, 2014, 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 12, 2015.

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

IAS 36 – *Impairment of Assets*

The Company has early adopted the amendments of IAS 36 - *Recoverable Amount of Disclosures for Non-Financial Assets,* effective September 1, 2013. These changes amend the disclosure requirement relating to non-financial assets such that companies are required to disclose the recoverable amount of an asset (or Cash Generating Unit (“CGU”)) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU). The amendments also expand and clarify the disclosure requirements when an asset’s (or CGU’s) recoverable amount has been determined on the basis of fair value less costs to sell (“FVLCS”). The amendment is effective for annual periods beginning on or after January 1, 2014, retrospectively, with early adoption permitted. The Company elected to early adopt the provisions of these amendments in its annual audited consolidated financial statements.

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 was September 1, 2014 for Corus and is to be applied retrospectively. The adoption of this standard had no impact on the Company’s consolidated financial statements.

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 and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been tentatively set to be effective for annual periods beginning on or after January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, which replaces IAS 18 - *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, which will be September 1, 2017 for Corus. 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)

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangibles*

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, which will be September 1, 2016 for Corus and is to be applied prospectively. The Company is in the process of reviewing the standard 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, 2014	16,983	8,587	22,060	47,630
Increase in investment	191	10,411	4,026	14,628
Amortization of intangible assets	(1,687)	—	—	(1,687)
Fair value adjustment	—	—	(357)	(357)
Balance - November 30, 2014	**15,487**	**18,998**	**25,729**	**60,214**

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2014	330,437
Net additions	72,690
Amortization	(54,337)
Balance - November 30, 2014	**348,790**

6. FILM INVESTMENTS

Balance - August 31, 2014	63,455
Net additions	6,260
Amortization	(6,921)
Balance - November 30, 2014	**62,794**

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

7. LONG-TERM DEBT

	November 30, 2014	August 31, 2014
Bank loans	**353,521**	333,677
Senior unsecured guaranteed notes	**550,000**	550,000
Unamortized financing fees	**(8,841)**	(9,426)
	894,680	874,251

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at November 30, 2014, the weighted average interest rate on the outstanding bank loans and Notes was 4.0% (2014 – 4.3%). Interest on the bank loans and Notes averaged 4.0% for the first quarter of fiscal 2015 (2014 – 4.5%).

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, 2014.

On February 3, 2014, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected was the establishment of a two year $150.0 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The $150.0 million term facility was fully drawn on inception and the proceeds were used to reduce the amount drawn on the revolving facility. Both the term and revolving facilities are subject to the same covenants and security. Interest rates on both the term and revolving facility loans fluctuate with Canadian prime rate, Canadian bankers' acceptances and/or LIBOR plus an applicable margin.

Contemporaneously with the amendment and restatement of the credit agreement, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on $150.0 million at 1.375%, plus an applicable margin, to February 3, 2016. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI.

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 - August 31, 2014	3,428,292	26,549	82,335,593	940,781	967,330
Issuance of shares under stock option plan	—	—	79,400	1,711	1,711
Issuance of shares under dividend reinvestment plan	—	—	252,152	5,485	5,485
Balance - November 30, 2014	**3,428,292**	**26,549**	**82,667,145**	**947,977**	**974,526**

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,**	
	2014	2013
Net income attributable to shareholders (numerator)	**51,906**	150,891
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**85,913**	84,561
Effect of dilutive securities	**69**	265
Weighted average number of shares outstanding - diluted	**85,982**	84,826

The calculation of diluted earnings per share for the first quarter of fiscal 2015 excluded 942,862 (2014 – nil) 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

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

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, 2014 is presented as follows:

	Number of options (#)	Weighted average exercise price per share ($)
Outstanding - August 31, 2014	2,561,373	21.33
Granted	688,800	23.27
Exercised	(79,400)	17.89
Outstanding - November 30, 2014	**3,170,773**	**21.58**

Granted in the first quarter 2015 and vesting in:	**2015**	**2016**	**2017**	**2018**
Fair value	$ 2.63	$ 2.80	$ 3.03	$ 3.31
Risk-free interest rate	1.6%	1.6%	1.6%	1.6%
Expected dividend yield	4.7%	4.7%	4.7%	4.7%
Expected share price volatility	22.5%	23.4%	24.7%	26.2%
Expected time until exercise (years)	6	6	6	7

Share-based compensation

The following table provides additional information on the employee stock options, Performance Share Units ("PSUs"), Deferred Share Units ("DSUs"), and Restricted Share Units ("RSUs") as at:

	November 30, 2014	August 31, 2014
Outstanding employee stock options	**3,170,773**	2,561,373
Exercisable employee stock options	**1,587,698**	1,197,823
Outstanding PSUs	**970,681**	954,464
Outstanding DSUs	**942,451**	861,302
Outstanding RSUs	**155,653**	142,313

Share-based compensation expense recorded for the first quarter of fiscal 2015 in respect of these plans was $898 (2014 – $2,021). As at November 30, 2014, the carrying value of the PSU, DSU and RSU units was $21,147 (August 31, 2014 – $28,715).

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

Dividend reinvestment plan

In the first quarter of fiscal 2015, the Company issued 252,152 Class B Non-Voting Shares, resulting in an increase in share capital of $5,485.

9. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended November 30,	
	2014	2013
Amortization of program rights	**54,337**	50,531
Amortization of film investments	**6,921**	3,912
Other cost of sales	**5,540**	8,189
Employee costs	**34,454**	36,791
Other general and administrative	**32,583**	34,306
	133,835	133,729

10. INTEREST EXPENSE

	Three months ended November 30,	
	2014	2013
Interest on long-term debt	**8,749**	5,780
Imputed interest on long-term liabilities	**3,496**	3,036
Other	**436**	454
	12,681	9,270

11. OTHER EXPENSE, NET

	Three months ended November 30,	
	2014	2013
Interest income	**(11)**	(206)
Foreign exchange loss (gain)	**807**	(34)
Equity losses of investees	**475**	1,249
Increase in purchase price obligation	**—**	7,344
Other	**535**	1,358
	1,806	9,711

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

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 2015 and 2014 is as follows:

	Fiscal 2015		Fiscal 2014	
	$	**%**	$	%
Tax at combined federal and provincial rates:	**19,320**	**26.5%**	45,778	26.4%
(Income) loss subject to tax at less than statutory rates	**98**	**0.1%**	(164)	(0.1%)
Non-taxable portion of capital gains	**—**	**—%**	(33,738)	(19.4%)
Transaction costs	**—**	**—%**	7,223	4.2%
Increase (recovery) of various tax reserves	**(141)**	**(0.2%)**	2,056	1.2%
Miscellaneous differences	**556**	**0.8%**	25	0.0%
	19,833	**27.2%**	21,180	12.2%

13. BUSINESS SEGMENT INFORMATION

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

Television

The Television segment 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 segment comprises 39 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.

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.

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

Revenues and segment profit

Three months ended November 30, 2014

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	**181,490**	**45,621**	**—**	**227,111**
Direct cost of sales, general and administrative expenses	**97,711**	**32,801**	**3,323**	**133,835**
Segment profit (loss)	**83,779**	**12,820**	**(3,323)**	**93,276**
Depreciation and amortization				**5,774**
Interest expense				**12,681**
Other expense, net				**1,806**
Income before income taxes				**73,015**

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
Gain on acquisition				(127,884)
Business acquisition, integration and restructuring costs				21,922
Other expense, net				9,711
Income before income taxes				173,522

Revenues are derived from the following areas:

	Three months ended **November 30,**	
	2014	2013
Advertising	**120,966**	123,372
Subscriber fees	**85,414**	79,115
Merchandising, distribution and other	**20,731**	23,518
	227,111	226,005

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

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,**	
	2014	2013
Interest paid	**1,755**	417
Interest received	**11**	206
Income taxes paid	**916**	12,700