ENTERTAINMENT

Second Quarter 2014
Report to Shareholders

For the Three and Six Months Ended February 28, 2014
(Unaudited)

TABLE OF CONTENTS

Highlights 3
Significant Events in the Quarter 3
Significant Events Subsequent to the Quarter 4
Management's Discussion and Analysis 5
Overview of Consolidated Results 6
Television 10
Radio 11
Corporate 12
Quarterly Consolidated Financial Information 12
Risks and Uncertainties 14
Outlook 14
Financial Position 14
Liquidity and Capital Resources 16
Outstanding Share Data 18
Changes in Internal Control Over Financial Reporting 18
Key Performance Indicators 18
Impact of New Accounting Policies 21
Consolidated Financial Statements and Notes 22

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 February 28, 2014	Three months ended February 28, 2013[3]	Six months ended February 28, 2014	Six months ended February 28, 2013[3]
Revenues				
Television	**152,101**	132,343	**330,050**	289,965
Radio	**39,312**	40,277	**87,368**	92,601
	191,413	172,620	**417,418**	382,566
Segment profit [1]				
Television	**58,034**	48,110	**140,558**	118,632
Radio	**8,470**	9,654	**24,307**	28,610
Corporate	**(7,222)**	(6,802)	**(13,307)**	(11,763)
	59,282	50,962	**151,558**	135,479
Net income attributable to shareholders	**6,116**	5,944	**157,007**	58,103
Adjusted net income attributable to shareholders [1] [2]	**26,780**	24,432	**81,957**	76,591
Basic earnings per share	**$ 0.07**	$ 0.07	**$ 1.85**	$ 0.70
Adjusted basic earnings per share [1] [2]	**$ 0.32**	$ 0.29	**$ 0.97**	$ 0.92
Diluted earnings per share	**$ 0.07**	$ 0.07	**$ 1.85**	$ 0.69
Free cash flow [1]	**73,405**	39,785	**123,041**	79,609

[1] Adjusted net income attributable to shareholders, adjusted basic earnings per share, segment profit, segment profit margin and free cash flow do not have standardized meanings prescribed by IFRS. The Company reports on segment profit, segment profit margin 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.

[2] For the three months ended February 28, 2014, excludes 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 a decrease in the purchase price obligation of $2.1 million ($0.02 per share). For the six month period ended February 28, 2014, 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, radio broadcast license impairment charges of $8.0 million ($0.07 per share), business acquisition, integration and restructuring costs of $40.7 million ($0.46 per share), an increase in the purchase price obligation of $5.3 million ($0.06 per share), and investment impairment related charges of $3.3 million ($0.04 per share). For the three and six month periods ended February 28, 2013, excludes the impact of debt refinancing costs of $25.0 million ($0.22 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 2014 Report to Shareholders.

Significant Events in the Quarter

- On December 20, 2013, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved the Company's acquisition of Historia, Séries+ and the remaining 50% interest of TELETOON Canada Inc. These acquisitions closed on January 1, 2014.
- 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 its Board of Directors had approved a 6.9% increase in its annual dividend. Effective February, 2014 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.

- On January 20, 2014, the Company announced the voting results from its Annual and Special Meeting of Shareholders (the "Meeting") held on January 14, 2014. A total of 3,266,262 Class A Shares, representing 95.1% of the Company's issued and outstanding Class A Voting Shares, were voted in connection with the Meeting. All matters put forth at the Meeting were approved by 100% of votes cast by the Class A Voting Shareholders as detailed in the Company's filing on www.sedar.com.
- On January 24, 2014, the Company's radio stations in Edmonton assisted in raising $1.42 million during its annual Stollery Hospital Radiothon.
- On January 24, 2014, the CRTC approved the Company's acquisition of the Ottawa-based radio stations CKQB-FM (106.9 The BEAR) and CJOT-FM (boom 99.7). The acquisition closed on January 31, 2014.
- On January 28, 2014, the Company's Telelatino Network announced a licensing agreement with Univision Communications Inc., the leading media company serving Hispanic America, to rebrand Telelatino's TLN en Español (TLNE) as Univision Canada.
- On January 29, 2014, the Company held its annual Investor Day and updated investors on its fiscal 2014 and 2015 priorities. The Company also provided its fiscal 2015 guidance targets of consolidated segment profit of $340 million to $360 million and free cash flow in excess of $170 million.
- On January 30, 2014, the Company, for the sixth year in a row, was named one of Canada's Best Diversity Employers for 2014 by Mediacorp Canada Inc. This award recognizes employers that have exceptional workplace diversity and inclusiveness programs.
- On January 31, 2014, the Company paid a monthly dividend of $0.084583 and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- 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.
- On February 24, 2014, the Company announced that through donations, special events and corporate matching of employee online donations, Corus reached the 2013 corporate goal for its United Way Campaign by raising $475,000 to support of many charitable organizations across the country.
- On February 28, 2014, the Company was recognized by Brand Finance® as one of Canada's Top 100 Canadian Brands for 2014.
- On February 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 March 3, 2014, the Company launched Country 104 (CKDK-FM), its newest country radio station broadcasting from Woodstock, Ontario.
- On March 10, 2014, the Company announced that its programming received 26 Canadian Screen Awards from the Academy of Canadian Cinema and Television.
- On March 27, 2014, the CRTC renewed the licenses of radio stations CKRU-FM (Peterborough), CFGQ-FM, CHQR-FM and CKRY-FM (Calgary).
- On March 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 March 31, 2014, the Company's Radio division launched JUMP! 106.9 (CKQB-FM), a brand new contemporary hit radio station in Ottawa. JUMP! 106.9 is unique in the market, with a core playlist of the biggest names in music, delivered in 90 minute non-stop blocks.
- On March 31, 2014, the Company's Toronto radio station 102.1 the Edge launched its new weekday lineup of on-air personalities who bring the best of alternative music, pop culture, irreverent humour and topical engaging entertainment to audiences.
- On April 3, 2014, the Company was recognized as one of Canada's Future 40 Most Responsible Corporate Leaders by Corporate Knights Canada.
- On April 7, 2014, the Company's Toronto radio station Q107 expanded its playlist to include bands and artists from the '90s, 2000s and today. Q107 is and will continue to be Toronto's rock station.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2014 is prepared at March 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, 2013 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 financial operating performance of the Company. Annual targets for fiscal 2015 and related assumptions are described in the *Outlook* section of this MD&A.

For a discussion on the Company's results of operations for fiscal 2013, we refer you to the Company's Annual Report for the year ended August 31, 2013 filed on SEDAR on December 3, 2013.

The following discussion describes the significant changes in the consolidated results from operations.

Overview of Consolidated 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.* 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. On December 20, 2013, the Company received Canadian Radio-television and Telecommunications Commission ("CRTC") approval to complete the acquisition of the remaining 50% interest in TELETOON that it did not already own as well as the acquisition of Historia and Séries+, s.e.n.c. ("H&S"). These acquisitions closed on January 1, 2014. On January 24, 2014, the CRTC approved the Company's acquisition of the Ottawa-based radio stations (CKQB-FM and CJOT-FM) and the transaction closed on January 31, 2014. As a result of these business combinations, the Company's consolidated results for fiscal 2014 reflect 100% interest of TELETOON effective September 1, 2013, 100% interest in H&S effective January 1, 2014, and 100% interest in the two Ottawa radio stations effective January 31, 2014 (refer to note 17 of the interim condensed consolidated financial statements for further details on all acquisitions).

For fiscal 2013, as a result of retroactive application of IFRS 11 - *Joint Arrangements*, the Company is no longer permitted to proportionately consolidate its 50% equity interest in 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 its investment using the equity method of accounting. As a consequence, the Television revenues and segment profit for the second quarter of fiscal 2013 were reduced by $11.1 million and $3.7 million, respectively and instead, Corus' share of TELETOON's net income of $2.7 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. For the six months ended February 28, 2013, the Television revenues and segment profit were reduced by $27.3 million and $11.9 million, respectively, and Corus' share of TELETOON's net income of $8.7 million was reported as *Other expense (income)* 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 second quarter of fiscal 2014 was $6.1 million on revenues of $191.4 million, as compared to $5.9 million on revenues of $172.6 million in the prior year.

Consolidated segment profit increased 16% from the prior year, with an increase of 21% in the Television segment offset by a decrease of 12% in the Radio segment and an increase of 6% in the Corporate segment costs. Further analysis is provided in the discussions of segmented results.

Net income attributable to shareholders for the six month period ended February 28, 2014 was $157.0 million on revenues of $417.4 million, as compared to $58.1 million on revenues of $382.6 million in the prior year. Consolidated segment profit increased 12% from the prior year, with Television up 18% and Radio down 15%. Further analysis is provided in the discussions of segmented results.

Revenues

Revenues for the second quarter of fiscal 2014 were $191.4 million, an increase of 11% from $172.6 million last year. On a consolidated basis, advertising revenues increased by 17%, subscriber revenues increased by 23% and merchandising, distribution and other revenues decreased by 32%. Revenues increased for Television by 15%, while Radio decreased by 2% in the second quarter compared to the prior year. Refer to discussions of segmented results for additional analysis of revenues.

For the six month period ended February 28, 2014, revenues of $417.4 million represented an increase of 9% from $382.6 million last year. On a consolidated basis, advertising revenues increased by 16%, subscriber revenues increased by 18% and merchandising, distribution and other revenues decreased by 30%. 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 second quarter of fiscal 2014 were $132.1 million, up 9% from $121.7 million in the prior year. This increase resulted from higher costs in the Television and Corporate reporting segments, with a minimal increase in the Radio segment. For the six month period ended February 28, 2014, expenses of $265.9 million represented an 8% increase over the prior year and are attributable to higher costs in the Television and Corporate reporting segments, offset by a minimal decrease in the Radio segment. Refer to the discussions of segmented results for additional analysis of expenses.

Depreciation and amortization

Depreciation and amortization expense of $5.5 million for the second quarter of fiscal 2014 was down $2.0 million from $7.5 million in the second quarter of fiscal 2013. For the six month period ended February 28, 2014, depreciation expense of $11.3 million represented a $2.6 million decrease over the prior year. The decrease in the quarter and year-to-date is a result of lower depreciation on property, plant and equipment, primarily as a result of the completion of lease terms, offset by additional amortization of intangible assets, specifically software.

Interest expense

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 the $150.0 million at 1.375%, plus an applicable margin, to February 3, 2016.

Interest expense of $12.6 million in the second quarter of fiscal 2014 was $0.7 million lower than the prior year, while interest expense of $21.9 million for the six month period ended February 28, 2014 was $3.5 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 interest on bank loans and increased imputed interest charges on discounted liabilities. The effective interest rate on bank loans and notes for the three and six month period ended February 28, 2014 was 4.2% and 4.4%, compared to 6.7% and 6.9%, respectively, last year.

Broadcast license impairment

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the second quarter of fiscal 2014, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio segment. As a result of these tests, the Company recorded a broadcast license impairment charge of $8.0 million, on certain radio clusters as the actual results and revised cash flow projections fell short of previous estimates.

Debt refinancing

In the second quarter of fiscal 2013, the Company issued $550.0 million principal amount of the 2020 Notes. Concurrently, the Company provided notice of its intention to redeem the existing $500.0 million principal amount of the 2017 Notes effective March 16, 2013. The notice of redemption on the 2017 Notes resulted in the Company recording a pre-tax debt refinancing cost of $25.0 million in the second quarter of fiscal 2013. The components of this cost included the early redemption premium of $18.1 million and the non-cash write-off of unamortized financing fees of $6.9 million.

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 second quarter of fiscal 2014, the Company incurred $18.7 million of business acquisition, integration and restructuring costs, which included $6.8 million in restructuring costs related to the organizational structure realignment and recent business acquisitions. In addition, the Company, upon acquisition of control of H&S on January 1, 2014 and the two Ottawa radio stations on January 31, 2014, recorded a charge of $11.9 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.

For the six month period ended February 28, 2014, the Company incurred $40.7 million of business acquisition, integration and restructuring costs, which included $8.8 million in restructuring costs and $31.9 million related to the present value of the CRTC tangible benefit obligation.

Other (income) expense, net

Other (income) expense for the three and six months ended February 28, 2014 was income of $1.0 million and expense of $8.7 million, respectively, compared to income of $3.1 million and $8.7 million, respectively, in the prior year. The increase in the second quarter relates to the decrease of $2.1 million in the purchase price obligation to Bell Media Inc. ("Bell") arising from the revaluation of the purchase price obligation on the acquisition of control of TELETOON on September 1, 2013 at the end of the current period, offset by higher income from joint ventures (TELETOON) in the prior year of $2.7 million.

For the six month period ended February 28, 2014, the decrease of $17.4 million relates primarily to higher income from joint ventures (TELETOON) in the prior year of $8.7 million, lower equity earnings from investments in associates in the current year of $1.3 million, impairment charges on certain investments of $1.1 million and a cumulative increase of $5.3 million in the purchase price obligation to Bell (refer to note 17 of the interim condensed consolidated financial statements for further details).

Income tax expense

The effective tax rate for the six months ended February 28, 2014 was 15.6% compared to the Company's 26.5% 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 second quarter of fiscal 2014 was $6.1 million, as compared to $5.9 million last year. Earnings per share attributable to shareholders for the second quarter of fiscal 2014 were $0.07 per share basic and diluted compared with $0.07 per share basic and diluted last year. Net income for the current quarter includes 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 a decrease in the purchase price obligation of $2.1 million ($0.02 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of $26.8 million ($0.32 per share basic).

Net income attributable to shareholders for the six month period ended February 28, 2014 was $157.0 million, as compared to $58.1 million last year. Earnings per share attributable to shareholders for the six month period ended February 28, 2014 were $1.85 per share basic and diluted compared with $0.70 per share basic and $0.69 per share diluted in the prior year. Net income for the year-to-date includes a non-cash gain on the remeasurement to fair value of Corus' original 50% interest in TELETOON of $127.9 million ($1.51 per share), broadcast license impairment of $8.0 million ($0.07 per share), business acquisition, integration and restructuring costs of $40.7 million ($0.46 per share), an increase in the purchase price obligation of $5.3 million ($0.06 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 $82.0 million ($0.97 per share basic). Net income attributable to shareholders for the prior year includes a pre-tax charge for debt refinancing of $25.0 million. Removing the impact of this item results in an adjusted net income attributable to shareholders of $24.4 million ($0.29 per share) in the prior year to date.

The weighted average number of basic shares outstanding for the three and six month period ended February 28, 2014, was 84,825,000 and 84,692,000, respectively, 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 was $2.2 million, compared to $1.8 million in the prior year. This increase of $0.4 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 and higher unrealized changes in cash flow hedges.

Television

The Television division 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) (formerly TLN en Español), Telebimbi, CineLatino), and CosmopolitanTV.

Financial Highlights

	Three months ended		Six months ended	
		February 28,		**February 28,**
(thousands of Canadian dollars)	**2014**	2013[2]	**2014**	2013[2]
Revenues	**152,101**	132,343	**330,050**	289,965
Expenses	**94,067**	84,233	**189,492**	171,333
Segment profit [1]	**58,034**	48,110	**140,558**	118,632

[1]As defined in the "Key Performance Indicators" section
[2]The fiscal 2013 quarters presented above have been restated for the application of IFRS 11 – *Joint Arrangements*

As a result of the business combinations, the Television results for fiscal 2014 reflect 100% interest in TELETOON effective September 1, 2013, and 100% interest in Historia and Séries+ effective January 1, 2014 (refer to note 17 of the interim condensed consolidated financial statements for further details on all acquisitions).

For fiscal 2013, as a result of retroactive application of IFRS 11 – *Joint Arrangements*, the Television revenues and segment profit for the second quarter of fiscal 2013 were reduced by $11.1 million and $3.7 million, respectively and instead, Corus' share of TELETOON's net income of $2.7 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. For the six months ended February 28, 2013, the Television revenues and segment profit were reduced by $27.3 million and $11.9 million, respectively, and Corus' share of TELETOON's net income of $8.7 million was reported as *Other expense (income)* in the Consolidated Statements of Income and Comprehensive Income. The restatement did not change reported net income for fiscal 2013 (refer to note 3 of the interim condensed consolidated financial statements for further details).

Revenues increased 15% in the second quarter of fiscal 2014 due primarily to the accounting changes mentioned above with respect to TELETOON effective September 1, 2013 and the acquisition of Historia and Séries+ effective January 1, 2014, which contributed to an overall increase in specialty advertising revenues of 38% and an increase in subscriber revenues of 23%. Specialty advertising revenues also reflect growth on Corus' Kids networks and the continued success of ABC Spark, offset by lower demand on W Network and softer ratings on CMT in the quarter. Subscriber revenues for the second 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. Movie Central (including HBO Canada) ended the quarter with 953,000 subscribers. Merchandising, distribution and other revenues declined 38% in the quarter as a result of anticipated lower Beyblade merchandising revenues. On a year-to-date basis, specialty advertising revenues were up 36%, subscriber revenues were up 18% and merchandising, distribution and other revenues were down 35% from the prior year.

Total expenses increased 12% in the second quarter of fiscal 2014, due primarily to the consolidation of the 100% interest in TELETOON in the current year effective September 1, 2013, restatement of the prior year to remove Corus' 50% proportionately consolidated interest in TELETOON and the acquisition of Historia and Séries+ effective January 1, 2014. 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 and film amortization, offset by lower variable costs tied to the merchandising business. General and administrative expenses were up 16% year-over-year, as savings related to the timing of certain expenditures and a continued focus on cost controls were offset by the impact of the accounting changes related to TELETOON and the acquisition of Historia and Séries+. On a year-to-date basis, direct cost of sales were up 9% while general and administrative expenses were up 14% from the prior year.

Segment profit increased 21% in the second quarter of fiscal 2014 and 18% year-to-date. Segment profit margin for the quarter increased to 38% from 36% last year and to 43% from 41% last year on a year-to-date basis. The improvement in segment profit margin is primarily a result of swift integration of the acquired assets and a reduced proportion of the lower margin merchandising and distribution businesses.

Radio

The Radio division 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		Six months ended	
	February 28,		**February 28,**	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Revenues	**39,312**	40,277	**87,368**	92,601
Expenses	**30,842**	30,623	**63,061**	63,991
Segment profit[(1)]	**8,470**	9,654	**24,307**	28,610

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

Revenues decreased 2% in the second quarter of fiscal 2014 and 6% for the year-to-date. The division continued to experience a soft advertising market in addition to ratings challenges in some markets.

Direct cost of sales, general and administrative expenses in the second quarter of fiscal 2014 increased by 1% compared to the prior year and decreased 1% for the year-to-date. The acquisition of the Ottawa

radio stations on January 31, 2014 had an incremental impact on Corus' year-over-year comparatives. Variable expenses for the quarter and year-to-date decreased by 3%, 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, increased 2% in the quarter and decreased 1% for the year-to-date. The increase in the quarter was related to incremental costs from the Ottawa radio stations, in addition to a full season of hockey broadcast rights fees offset by lower employee-related costs. On a year-to-date basis, the division maintained tight cost controls through lower employee-related and premises costs which were offset by incremental hockey broadcast rights fees, and higher marketing and promotion expenses.

Segment profit decreased 12% in the second quarter of fiscal 2014 and 15% for the year-to-date. The Radio division's margin decreased from 24% in the prior year to 22% this quarter and decreased from 31% to 28% on a year-to-date basis, as a result of the revenue softness.

In the second quarter of fiscal 2014, the Company recorded $8.0 million in radio broadcast license impairment charges. These charges are excluded from segment profit.

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		Six months ended	
	February 28,		**February 28,**	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Share-based compensation	**2,688**	2,437	**4,709**	4,039
Other general and administrative costs	**4,534**	4,365	**8,598**	7,724
	7,222	6,802	**13,307**	11,763

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 second quarter and year-to-date fiscal 2014 share-based compensation reflects an increase in the number of units that achieved vesting targets.

Other general and administrative costs were higher in the second quarter of fiscal 2014, primarily as a result of higher short-term compensation plan expense in the current quarter compared to the prior year. Year-to-date costs were up largely 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 February 28, 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, 2013.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income attributable to shareholders	Earnings per share	
				Basic	Diluted
2014					
2nd quarter	**191,413**	**59,282**	**6,116**	**$ 0.07**	**$ 0.07**
1st quarter	226,005	92,276	150,891	$ 1.78	$ 1.78
2013					
4th quarter[2]	181,897	50,931	11,879	$ 0.14	$ 0.14
3rd quarter[2]	187,073	64,564	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

Notes:
[1] As defined in "Key Performance Indicators"
[2] The fiscal 2013 quarters presented above have been restated for the application of IFRS 11 – *Joint Arrangements*
[3] The fiscal 2012 quarters presented above 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 second quarter of fiscal 2014 was negatively impacted by a non-cash radio broadcast license impairment charge 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.

- 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

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 January 29, 2014, the Company provided fiscal 2015 financial guidance of $340.0 million to $360.0 million in consolidated segment profit, and free cash flow in excess of $170.0 million. The segment profit guidance is based on the proforma fiscal 2013 results of the Company's core business, assuming a starting point from its recently completed acquisitions (refer to note 17 of the interim condensed consolidated financial statements for further details) of $330.0 million in segment profit, which includes projected synergies of $12.0 million. Assuming growth scenarios of a 2%, 3% and 4% compound annual growth rate, and the Company's ability to successfully integrate the acquisitions and achieve targeted synergies within its expected timelines, the Company believes it can reasonably deliver segment profit of between $340.0 million and $360.0 million for fiscal 2015. These scenarios are based on a growing Canadian economy, Government of Canada Gross Domestic Product forecast increases of 2% to 3% for 2015 to support the discretionary nature of advertising expenditures, minimal subscriber growth based on historical subscriber trending and minimal merchandising, distribution and other revenues growth based on newly introduced brands and their ability to achieve a moderate level of success at retail. Free cash flow guidance for fiscal 2015 is based on the Company's recent historical working capital run-rates and annual capital expenditures of $15.0 million to $20.0 million, the inclusion of free cash flow from the acquisitions noted above and the Company's ability to meet its segment profit guidance for fiscal 2015 of $340.0 million to $360.0 million.

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

Financial Position

The major change in the Company's consolidated results arises from the consolidation of 100% interest in TELETOON effective September 1, 2013 as a consequence of meeting the definition of control under IFRS 10 – *Consolidated Financial Statements,* the consolidation of 100% interest in Historia and Séries+ ("H&S") effective January 1, 2014, and 100% interest in two radio stations in Ottawa (CKQB-FM and CJOT-FM) effective January 31, 2014 (refer to note 17 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 prior year was restated by replacing the proportionate consolidation of TELETOON at 50% with a single investment amount in the "Investments 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 February 28, 2014 and August 31, 2013 were $2.9 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 February 28, 2014 were $270.8 million, down $39.3 million from August 31, 2013. Cash and cash equivalents decreased by $39.0 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $45.3 million, of which $35.4 million relates to the business acquisitions at the point of consolidation. 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.

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 was settled upon the completion of the Company's acquisition of Shaw's 50% interest in H&S on January 1, 2014.

Tax credits receivable increased $0.4 million as a result of tax credit accruals exceeding receipts related to film and interactive productions.

Intangibles, investments and other assets increased $0.2 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 100% interest in TELETOON upon acquisition of control on September 1, 2013.

Property, plant and equipment decreased $5.1 million, as depreciation expense exceeded additions for the first six months of fiscal 2014.

Program and film rights increased $67.6 million, of which $77.5 million relates to the business acquisitions. As well, additions of acquired rights of $92.2 million were offset by amortization of $102.1 million during the first six months of fiscal 2014.

Film investments increased $5.7 million as film spending (net of tax credit accruals) of $14.7 million was offset by film amortization of $9.0 million.

Broadcast licenses increased $474.4 million as business acquisitions added $482.4 million, offset by impairment charges of $8.0 million related to the Radio segment. Goodwill increased $353.9 million from August 31, 2013 as a result of the business acquisitions.

Accounts payable and accrued liabilities increased $63.9 million, of which $14.6 million relates to the business acquisitions. The increase is also a result of higher current program rights payable, film production accruals, dividends payable and accrued liabilities. The increase in accrued liabilities primarily results from increases in the current portion of CRTC benefits payable of $6.2 million, resulting from the business acquisitions and merchandising third-party participations offset by short-term compensation accruals.

Purchase price obligations increased by $8.1 million as at February 28, 2014, reflecting amounts owing to Bell Media Inc. and Shaw with respect to the business acquisitions.

Provisions increased $1.3 million as a result of accruals made relating to work-force reduction and business integration initiatives taken in the first half of fiscal 2014.

Long-term debt at February 28, 2014 was $913.6 million, up $374.7 million as a result of the Company's draw-down on credit facilities to finance the business acquisitions.

Other long-term liabilities increased by $49.0 million, of which $37.5 million relates to the business acquisitions. The increase is also due to the long-term portion of CRTC tangible benefits of $26.7 million relating to the business acquisitions offset by lower program rights payable.

Share capital increased $12.8 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and issuance of stock options added $11.7 million and $1.1 million, respectively, to share capital.

Contributed surplus increased $0.8 million due to share-based compensation expense of $1.0 million, offset by the issuance of shares under the stock option plan of $0.2 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position decreased $39.0 million over the six months ended February 28, 2014. Free cash flow for the six months ended February 28, 2014 was $123.0 million, compared to free cash flow of $79.6 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 six months ended February 28, 2014 was $127.8 million, compared to $78.4 million last year. The increase of $49.4 million arises from higher net income from operations before non-cash items of $30.3 million; lower spend on program rights of $0.8 million; decreased additions to film investments of $20.5 million; and higher working capital usage of $2.2 million.

Cash used in investing activities in the six months ended February 28, 2014 was $500.9 million, compared to $7.0 million in the prior year. The increase of $493.9 million is attributable to the business acquisitions of TELETOON, Historia, Séries+ and the Ottawa radio stations of $491.4 million, offset by a decrease of $3.2 million in additions to property, plant and equipment, a decrease in net cash outflows for intangibles, investments and other assets of $1.9 million and dividends from joint venture of $7.8 million.

Cash provided by financing activities in the six months ended February 28, 2014 was $334.2 million, compared to $473.5 million in the prior year. In the current year, the Company incurred $373.1 million in bank loans to finance the business acquisitions, paid dividends of $37.9 million and decreased capital leases by $3.9 million. In the prior year, the Company issued the 2020 Notes of $550.0 million and paid down bank debt by $29.9 million; $1.5 million was paid relating to the repurchase of shares under the Normal Course Issuer Bid and dividends of $32.1 million were paid.

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 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 this 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 was 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 February 28, 2014, the Company had available approximately $275.0 million under the revolving term credit facility and was in compliance with all loan covenants.

As at February 28, 2014, the Company had a cash balance of $42.3 million and a positive working capital balance. In January 2014, the Company utilized $491.4 million of cash-on-hand and existing bank lines of credit to close the acquisition of the specialty television services Historia, Séries+, two Ottawa-based radio stations and the remaining 50% of TELETOON Canada Inc. (refer to note 17 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 February 28, 2014, net debt was $871.4 million, up from $457.7 million at August 31, 2013. Net debt to segment profit at February 28, 2014 was 3.3 times compared to 1.8 times at August 31, 2013. Segment profit for the net debt to segment profit calculation, reflects aggregate amounts as reported by the Company for the most recent four quarters. The increase in net debt and net debt to segment profit reflects increased debt to fund the business acquisitions, but only includes segment profit for the acquired assets from the date of acquisition. Refer to the Key Performance Indicators section for further discussion.

Total capitalization

Book value at February 28, 2014 was $1,330.6 million, an increase of $128.0 from August 31, 2013. The increase in net income for the period is offset by dividends.

Off-Balance Sheet arrangements and derivative financial instruments

During the second quarter of fiscal 2014, the Company entered into Canadian interest rate swap agreements 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 does 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 February 28, 2014 is $0.2 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 second quarter of fiscal 2014.

Outstanding Share Data

As at March 31, 2014, 3,430,292 Class A Voting Shares and 81,673,102 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 six months ended February 28, 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, 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; 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 15 to the condensed interim consolidated financial statements. Segment profit does not have any

standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

Certain key performance indicators are not measurements in accordance with International Financial Reporting Standards ("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 IASB.

	Three months ended		Six months ended	
		February 28,		**February 28,**
[thousands of Canadian dollars]	**2014**	2013[1]	**2014**	2013[1]
Cash provided by (used in):				
Operating activities	**75,768**	40,587	**127,751**	78,408
Investing activities	**(497,007)**	(8,343)	**(500,917)**	(7,003)
	(421,239)	32,244	**(373,166)**	71,405
Add back: cash used for business combinations and strategic investments	**494,644**	7,541	**496,207**	8,204
Free cash flow	**73,405**	39,785	**123,041**	79,609

[1] The fiscal 2013 quarters presented above have been restated for the application of IFRS 11 – *Joint Arrangements*

Adjusted net income and adjusted basic earnings per share

Adjusted net income and adjusted basic earnings per share are non-GAAP financial measures which are defined as net income before items considered by management to be unusual or typically non-recurring in nature such as: goodwill and broadcast license impairment; debt refinancing; non-cash gains or losses and certain other income and expenses. Management believes that adjusted net income and adjusted basic earnings per share are important measures to increase comparability of performance between periods. The intent of adjusted net income and adjusted basic earnings per share is to provide additional useful information to investors and analysts and the measures do not have any standardized meaning under IFRS. Adjusted net income and adjusted basic earnings per share should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate adjusted net income and adjusted basic earnings per share differently.

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended February 28,		Six months ended February 28,	
(thousands of Canadian dollars, except per share amounts)	**2014**	2013[(1)]	**2014**	2013[(1)]
Net income attributable to shareholders	**6,116**	5,944	**157,007**	58,103
Adjustments (net of tax):				
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	—	**(127,884)**	—
Broadcast license impairment charge	**5,923**	—	**5,923**	—
(Decrease) increase in purchase price obligation	**(2,056)**	—	**5,288**	—
Impact of business acquisition, integration and restructuring costs	**16,797**		**38,371**	
Impact of investment impairment charges	**—**	—	**3,252**	—
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Guaranteed Notes	**—**	18,488	**—**	18,488
Adjusted net income attributable to shareholders	**26,780**	24,432	**81,957**	76,591

	Three months ended February 28,		Six months ended February 28,	
(thousands of Canadian dollars, except per share amounts)	**2014**	2013[(1)]	**2014**	2013[(1)]
Basic earnings per share	**$0.07**	$0.07	**$1.85**	$0.70
Adjustments (net of tax):				
Gain on remeasurement to fair value of original 50% of TELETOON	**—**	—	**(1.51)**	—
Broadcast license impairment charge	**0.07**	—	**0.07**	—
(Decrease) increase in purchase price obligation	**(0.02)**	—	**0.06**	—
Impact of business acquisition, integration and restructuring costs	**0.20**	—	**0.46**	—
Impact of investment impairment charges	—	—	**0.04**	—
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Guaranteed Notes	**—**	0.22	**—**	0.22
Adjusted basic earnings per share	**$0.32**	$0.29	**$0.97**	$0.92

(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.

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 February 28, 2014**	As at August 31, 2013[(1)]
Long-term debt	**913,649**	538,966
Cash and cash equivalents	**(42,285)**	(81,266)
Net debt	**871,364**	457,700

(thousands of Canadian dollars)	**As at February 28, 2014**	As at August 31, 2013 [1]
Net debt (numerator)	**871,364**	457,700
Segment profit (denominator)[2]	**267,053**	250,974
Net debt to segment profit	**3.3**	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 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, 2013 annual consolidated financial statements and note 3 in Corus' February 28, 2014 interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited – in thousands of Canadian dollars]	**As at February 28, 2014**	As at August 31, 2013	As at September 1, 2012
ASSETS			
Current			
Cash and cash equivalents	**42,285**	81,266	19,198
Accounts receivable	**209,648**	164,302	163,345
Promissory note receivable	**—**	47,759	—
Income taxes recoverable	**6,267**	351	9,542
Prepaid expenses and other	**12,605**	16,392	12,619
Total current assets	**270,805**	310,070	204,704
Tax credits receivable	**41,929**	41,564	43,865
Intangibles, investments and other assets (note 4)	**43,210**	42,975	42,390
Investment in joint venture (note 17)	**—**	125,931	121,704
Property, plant and equipment	**146,096**	151,192	163,280
Program and film rights (note 5)	**300,178**	232,587	229,306
Film investments (note 6)	**67,926**	62,274	67,847
Broadcast licenses (notes 7, 8 and 16)	**989,435**	515,036	520,770
Goodwill (notes 8 and 17)	**999,991**	646,045	646,045
Deferred tax assets (note 14)	**37,651**	39,463	28,327
	2,897,221	2,167,137	2,068,238
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**228,326**	164,443	177,367
Purchase price obligations (note 17)	**8,127**	—	—
Income taxes payable (note 14)	**—**	—	1,303
Provisions	**5,199**	3,941	2,322
Total current liabilities	**241,652**	168,384	180,992
Long-term debt (note 9)	**913,649**	538,966	518,258
Other long-term liabilities	**142,213**	93,241	87,588
Deferred tax liabilities	**254,451**	145,713	145,310
Total liabilities	**1,551,965**	946,304	932,148
Share capital (note 10)	**949,991**	937,183	910,005
Contributed surplus	**8,012**	7,221	7,835
Retained earnings	**368,761**	256,517	198,445
Accumulated other comprehensive income (loss)	**3,835**	1,653	(812)
Total equity attributable to shareholders	**1,330,599**	1,202,574	1,115,473
Equity attributable to non-controlling interest	**14,657**	18,259	20,617
Total shareholders' equity	**1,345,256**	1,220,833	1,136,090
	2,897,221	2,167,137	2,068,238

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 February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Revenues	**191,413**	172,620	**417,418**	382,566
Direct cost of sales, general and administrative expenses (note 11)	**132,131**	121,658	**265,860**	247,087
Depreciation and amortization	**5,533**	7,495	**11,268**	13,901
Interest expense (note 12)	**12,604**	13,271	**21,874**	25,403
Broadcast license impairment (notes 7 and 8)	**8,000**	—	**8,000**	—
Debt refinancing	**—**	25,033	**—**	25,033
Business acquisition, integration and restructuring costs	**18,734**	—	**40,656**	—
Gain on acquisition (note 17)	**—**	—	**(127,884)**	—
Other (income) expense, net (note 13)	**(1,006)**	(3,138)	**8,705**	(8,667)
Income before income taxes	**15,417**	8,301	**188,939**	79,809
Income tax expense (note 14)	**8,353**	1,421	**29,533**	18,913
Net income for the period	**7,064**	6,880	**159,406**	60,896
Net income attributable to:				
Shareholders	**6,116**	5,944	**157,007**	58,103
Non-controlling interest	**948**	936	**2,399**	2,793
	7,064	6,880	**159,406**	60,896
Earnings per share attributable to shareholders:				
Basic	**$ 0.07**	$ 0.07	**$ 1.85**	$ 0.70
Diluted	**$ 0.07**	$ 0.07	**$ 1.85**	$ 0.69
Net income for the period	**7,064**	6,880	**159,406**	60,896
Other comprehensive income (loss), net of tax:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**1,891**	1,191	**2,266**	1,481
Unrealized change in fair value of available-for-sale investments	**(12)**	36	**62**	326
Unrealized change in fair value of cash flow hedges	**(146)**	—	**(146)**	—
	1,733	1,227	**2,182**	1,807
Comprehensive income for the period	**8,797**	8,107	**161,588**	62,703
Comprehensive income attributable to:				
Shareholders	**7,849**	7,171	**159,189**	59,910
Non-controlling interest	**948**	936	**2,399**	2,793
	8,797	8,107	**161,588**	62,703

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 (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	—	—	157,007	2,182	159,189	2,399	161,588
Dividends declared	—	—	(44,763)	—	(44,763)	(6,001)	(50,764)
Issuance of shares under stock option plan	1,063	(170)	—	—	893	—	893
Issuance of shares under dividend reinvestment plan	11,745	—	—	—	11,745	—	11,745
Share-based compensation expense	—	961	—	—	961	—	961
At February 28, 2014	**949,991**	**8,012**	**368,761**	**3,835**	**1,330,599**	**14,657**	**1,345,256**
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090
Comprehensive income	—	—	58,103	1,807	59,910	2,793	62,703
Dividends declared	—	—	(41,445)	—	(41,445)	(5,116)	(46,561)
Issuance of shares under stock option plan	994	(245)	—	—	749	—	749
Issuance of shares under dividend reinvestment plan	13,515	—	—	—	13,515	—	13,515
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	732	—	—	732	—	732
At February 28, 2013	923,806	8,322	214,347	995	1,147,470	18,294	1,165,764

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited – in thousands of Canadian dollars]	Three months ended February 28, 2014	Three months ended February 28, 2013	Six months ended February 28, 2014	Six months ended February 28, 2013
OPERATING ACTIVITIES				
Net income for the period	**7,064**	6,880	**159,406**	60,896
Add (deduct) non-cash items:				
Depreciation and amortization	**5,533**	7,495	**11,268**	13,901
Broadcast license impairment	**8,000**	—	**8,000**	—
Amortization of program and film rights	**51,613**	42,093	**102,144**	83,221
Amortization of film investments	**5,143**	3,501	**9,055**	9,708
Deferred income taxes	**2,566**	(5,432)	**5,021**	(6,726)
Increase in purchase price obligation	**(2,056)**	—	**5,288**	—
Share-based compensation expense	**504**	392	**961**	732
Imputed interest	**4,109**	2,628	**7,145**	5,153
Tangible benefit obligation	**11,892**	—	**31,915**	—
Debt refinancing	**—**	25,033	**—**	25,033
Gain on acquisition	**—**	—	**(127,884)**	—
Other	**160**	(2,120)	**1,415**	(8,450)
Net change in non-cash working capital balances related to operations	**11,102**	15,175	**(11,557)**	(9,303)
Payment of program and film rights	**(32,587)**	(36,898)	**(60,678)**	(61,523)
Net additions to film investments	**(3,682)**	(18,160)	**(13,748)**	(34,234)
Decrease in restricted cash	**6,407**	—	**—**	—
Cash provided by operating activities	**75,768**	40,587	**127,751**	78,408
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(2,344)**	(3,929)	**(4,280)**	(7,464)
Business combinations	**(491,441)**	—	**(491,441)**	—
Dividends from investment in joint venture	**—**	2,861	**—**	7,751
Net cash flows for intangibles, investments and other assets	**(3,167)**	(7,039)	**(5,074)**	(6,966)
Other	**(55)**	(236)	**(122)**	(324)
Cash used in investing activities	**(497,007)**	(8,343)	**(500,917)**	(7,003)
FINANCING ACTIVITIES				
Increase (decrease) in bank loans	**373,065**	(39,910)	**373,065**	(29,925)
Issuance of notes	**—**	550,000	**—**	550,000
Financing fees	**(587)**	(8,607)	**(587)**	(8,607)
Issuance of shares under stock option plan	**757**	749	**893**	749
Shares repurchased	**—**	—	**—**	(1,464)
Dividends paid	**(16,238)**	(13,775)	**(31,936)**	(26,998)
Dividends paid to non-controlling interest	**(1,933)**	(803)	**(6,001)**	(5,116)
Other	**(584)**	(2,789)	**(1,249)**	(5,101)
Cash provided by financing activities	**354,480**	484,865	**334,185**	473,538
Net change in cash and cash equivalents during the period	**(66,759)**	517,109	**(38,981)**	544,943
Cash and cash equivalents, beginning of the period	**109,044**	47,032	**81,266**	19,198
Cash and cash equivalents, end of the period	**42,285**	564,141	**42,285**	564,141

Supplemental cash flow disclosures (note 16)
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, 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 April 9, 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 will 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.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2014
(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	August 31, 2013			September 1, 2012		
	Originally Reported	**IFRS 11 Adjustment**	**Restated**	**Originally Reported**	**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 ventures	—	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 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)
February 28, 2014
(in thousands of Canadian dollars, except per share information)

Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars)	Three months ended February 28, 2013			Six months ended February 28, 2013		
	Originally Published	**IFRS 11 Adjustment**	**Restated**	**Originally Published**	**IFRS 11 Adjustment**	**Restated**
Revenues	183,700	(11,080)	172,620	409,847	(27,281)	382,566
Direct cost of sales, general and administrative expenses	129,052	(7,394)	121,658	262,506	(15,419)	247,087
Segment profit	54,648	(3,686)	50,962	147,341	(11,862)	135,479
Depreciation and amortization	7,517	(22)	7,495	13,946	(45)	13,901
Interest expense	13,271	—	13,271	25,403	—	25,403
Debt refinancing	25,033	—	25,033	25,033	—	25,033
Other expense (income), net	(426)	(2)	(428)	80	(11)	69
Income from joint ventures	—	(2,710)	(2,710)	—	(8,736)	(8,736)
Income before income taxes	9,253	(952)	8,301	82,879	(3,070)	79,809
Income tax expense	2,373	(952)	1,421	21,983	(3,070)	18,913
Net income for the period	**6,880**	**—**	**6,880**	**60,896**	**—**	**60,896**
Net income attributable to:						
Shareholders	5,944	—	5,944	58,103	—	58,103
Non-controlling interest	936	—	936	2,793	—	2,793
	6,880	—	6,880	60,896	—	60,896
Earnings per share attributable to shareholders:						
Basic	$ 0.07	—	$ 0.07	$ 0.70	—	$ 0.70
Diluted	$ 0.07	—	$ 0.07	$ 0.69	—	$ 0.69
Net income for the period	6,880	—	6,880	60,896	—	60,896
Other comprehensive income (loss), net of tax						
Items that may be reclassified subsequently to income:						
Unrealized foreign currency translation adjustment	1,191	—	1,191	1,481	—	1,481
Unrealized change in fair value of available-for-sale investments	36	—	36	326	—	326
	1,227	—	1,227	1,807	—	1,807
Comprehensive income for the period	**8,107**	**—**	**8,107**	**62,703**	**—**	**62,703**
Comprehensive income attributable to:						
Shareholders	7,171	—	7,171	59,910	—	59,910
Non-controlling interest	936	—	936	2,793	—	2,793
	8,107	—	8,107	62,703	—	62,703

Consolidated statements of Cash Flows

(in thousands of Canadian dollars)	Three months ended February 28, 2013			Six months ended February 28, 2013		
	Originally Published	**IFRS 11 Adjustment**	**Restated**	**Originally Published**	**IFRS 11 Adjustment**	**Restated**
Operating Activities						
Net income for the period	6,880	—	6,880	60,896	—	60,896
Add (deduct) non-cash items:						
Depreciation and amortization	7,517	(22)	7,495	13,946	(45)	13,901
Amortization of program and film rights	46,908	(4,815)	42,093	92,601	(9,380)	83,221
Amortization of film investment	3,501	—	3,501	9,708	—	9,708
Deferred income taxes	(5,432)	—	(5,432)	(6,726)	—	(6,726)
Share-based compensation expense	392	—	392	732	—	732
Imputed interest	2,628	—	2,628	5,153	—	5,153
Debt refinancing	25,033	—	25,033	25,033	—	25,033
Other	590	(2,710)	(2,120)	286	(8,736)	(8,450)
Net change in non-cash working capital balances related to operations	19,587	(4,412)	15,175	(9,546)	243	(9,303)
Payment of program and film rights	(39,806)	2,908	(36,898)	(67,432)	5,909	(61,523)
Net additions to film investment	(18,160)	—	(18,160)	(34,234)	—	(34,234)
Cash provided by operating activities	49,638	(9,051)	40,587	90,417	(12,009)	78,408
Investing Activities						
Additions to property, plant and equipment	(3,930)	1	(3,929)	(7,472)	8	(7,464)
Dividends from investment in joint venture	—	2,861	2,861	—	7,751	7,751
Net cash flows for intangibles, investments and other assets	(7,039)	—	(7,039)	(6,966)	—	(6,966)
Other	(236)	—	(236)	(324)	—	(324)
Cash used in investing activities	(11,205)	2,862	(8,343)	(14,762)	7,759	(7,003)
Financing Activities						
Increase in bank loans	(39,910)	—	(39,910)	(29,925)	—	(29,925)
Issuance of notes	550,000	—	550,000	550,000	—	550,000
Financing fees	(8,607)	—	(8,607)	(8,607)	—	(8,607)
Issuance of shares under stock option plan	749	—	749	749	—	749
Shares repurchased	—	—	—	(1,464)	—	(1,464)
Dividends paid	(13,775)	—	(13,775)	(26,998)	—	(26,998)
Dividends paid to non-controlling interest	(803)	—	(803)	(5,116)	—	(5,116)
Other	(2,789)	—	(2,789)	(5,101)	—	(5,101)
Cash provided by financing activities	484,865	—	484,865	473,538	—	473,538
Net change in cash and cash equivalents during the period	523,298	(6,189)	517,109	549,193	(4,250)	544,943
Cash and cash equivalents, beginning of the period	50,483	(3,451)	47,032	24,588	(5,390)	19,198
Cash and cash equivalents, end of the period	**573,781**	**(9,640)**	**564,141**	**573,781**	**(9,640)**	**564,141**

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.

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 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, 2013	19,726	6,710	16,539	42,975
Increase in investment	1,145	150	2,948	4,243
Amortization of intangible assets	(3,321)	—	—	(3,321)
Fair value adjustment	—	(759)	72	(687)
Balance – February 28, 2014	**17,550**	**6,101**	**19,559**	**43,210**

5. PROGRAM AND FILM RIGHTS

Balance – August 31, 2013	232,587
Net additions	92,196
Acquisitions (note 17)	77,539
Amortization	(102,144)
Balance – February 28, 2014	**300,178**

6. FILM INVESTMENTS

Balance – August 31, 2013	62,274
Net additions	14,707
Amortization	(9,055)
Balance – February 28, 2014	**67,926**

7. BROADCAST LICENSES AND GOODWILL

The changes in the book value of goodwill for the period ended February 28, 2014, were as follows:

	Total
Balance - August 31, 2013	646,045
Acquisitions (note 17)	353,946
Balance – February 28, 2014	**999,991**

The changes in the book value of broadcast licenses for the period ended February 28, 2014, were as follows:

	Total
Balance - August 31, 2013	515,036
Acquisitions (note 17)	482,399
Impairments (note 8)	(8,000)
Balance – February 28, 2014	**989,435**

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the second quarter of fiscal 2014, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio segment. As a result of these tests, the Company recorded a broadcast license impairment charge of $8.0 million, as certain radio clusters had actual results that fell short of previous estimates and the outlook for these markets is less robust.

8. IMPAIRMENT TESTING

At each reporting date, the Company is required to assess its intangible assets and goodwill for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, the Company is required to perform an impairment test.

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or Cash Generating Unit ("CGU") to the carrying value. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's value in use cannot be determined to

equal its fair value less costs to sell. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The value in use calculation uses cash flow projections, generally for a five-year period, and a terminal value. The terminal value is the value attributed to the CGU's operations beyond the projected period using a perpetuity growth rate. The key assumptions in the value in use calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value) and discount rates.

Segment profit growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Company's CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Company's Board of Directors and management forecasts generally covering a period of five years with growth rate assumptions. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year. This growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

- The discount rate applied to each asset, CGU or group of CGUs to determine value in use is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset's or CGU's cash flow projections.
- In calculating the value in use, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.

If the recoverable amount of a CGU or group of CGUs is less than its carrying amount, an impairment loss is recognized.

During the second quarter of fiscal 2014, the Company tested certain CGUs in its Radio segment for impairment with respect to broadcast licenses and the Radio segment group of CGUs overall for goodwill impairment. The tests were performed using the assumptions in the table below. The Company determined that there was a broadcast license impairment in two Radio CGUs in Ontario. For one CGU, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of $6.0 million while the FVLCS was used for the second CGU, which resulted in an impairment charge of $2.0 million that reduced the carrying value (primarily broadcast licenses) of these CGUs to their recoverable amount. These impairment charges were based on the Company's conclusion that decreases in audience and advertising market share in these markets warranted an impairment charge, as actual results and revised cash flow projections fell short of previous estimates. The recoverable amount of these two CGUs after the impairment charge is $22.3 million. The recoverable amount for the Radio segment group of CGUs' overall goodwill impairment test was based on VIU.

The Company did not conduct an impairment test on goodwill and broadcast licenses related to the Television segment as the recoverable amount of each of the CGUs exceeded their carrying value by a significant amount at the time of its annual impairment testing, performed on August 31, 2013.

The pre-tax discount and growth rates used by the Company for the purpose of its Radio VIU calculations performed during the period were:

	February 28, 2014
For the Radio VIU calculations in the period	
Pre-tax discount rate	14% - 15%
Earnings growth rate	2.0% - 7.2%
Terminal growth rate	2%

Sensitivity analysis

An increase of 50 basis points in the pre-tax discount rate, a decrease of 3% in the segment profit growth rate, or a decrease of 40 basis points in the perpetual growth rate, each used in isolation to perform the goodwill impairment test, would have resulted in a recoverable amount equal to the carrying value of goodwill in the Radio segment as at February 28, 2014.

The carrying amounts of goodwill and broadcast licenses allocated to each CGU and/or group of CGUs are set out in the following tables:

	February 28, 2014	August 31, 2013
Goodwill		
Television	**758,344**	412,764
Radio	**241,647**	233,281
	999,991	646,045

	February 28, 2014	August 31, 2013
Broadcast licenses		
Television		
Managed brands	**825,000**	351,101
Other	**7,424**	7,424
Radio [(1)]	**157,011**	156,511
	989,435	515,036

[(1)] Broadcast licenses for Radio consist of all Radio CGUs combined. There is no individual Radio CGU that comprises more than 10% of the total broadcast license balance.

9. LONG-TERM DEBT

	As at February 28, 2014	As at August 31, 2013
Bank loans	**374,254**	—
Senior unsecured guaranteed notes	**550,000**	550,000
Unamortized financing fees	**(10,605)**	(11,034)
	913,649	538,966

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 28, 2014, the weighted average interest rate on the outstanding bank loans and Notes was 4.0% (2013 – 5.7%). Interest on the bank loans and notes averaged 4.2% for the second quarter and 4.4% year-to-date of fiscal 2014 (2013 – 6.7% and 6.9%).

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 February 28, 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 million term facility, maturing February 3, 2016, incremental to the existing $500.0 million revolving facility maturing February 11, 2017. The $150 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 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. As at February 28, 2014, the fair value of the interest rate swap approximates its carrying value. 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.

10. 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, 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	—	—	48,600	1,063	1,063
Issuance of shares under dividend reinvestment plan	—	—	487,559	11,745	11,745
Balance – February 28, 2014	**3,430,292**	**26,564**	**81,585,305**	**923,427**	**949,991**

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 **February 28,**		Six months ended **February 28,**	
	2014	2013	**2014**	2013
Net income attributable to shareholders (numerator)	**6,116**	5,944	**157,007**	58,103
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**84,825**	83,700	**84,692**	83,550
Effect of dilutive securities	**337**	366	**307**	281
Weighted average number of shares outstanding – diluted	**85,162**	84,066	**84,999**	83,831

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	662,800	23.72
Exercised	(48,600)	18.38
Outstanding – February 28, 2014	**2,772,273**	**21.05**

Granted in the second quarter 2014 and vesting in:	**2015**	**2016**	**2017**	**2018**
Fair value	$ 4.11	$ 4.32	$ 4.09	$ 4.48
Risk-free interest rate	1.9%	1.9%	2.0%	2.0%
Expected dividend yield	4.1%	4.1%	4.1%	4.1%
Expected share price volatility	26.5%	27.4%	26.0%	27.7%
Expected time until exercise (years)	6	6	7	7

Share-based compensation

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

	February 28, 2014	August 31, 2013
Outstanding employee stock options	**2,772,273**	2,158,073
Exercisable employee stock options	**1,448,805**	1,063,380
Outstanding PSUs	**938,642**	910,301
Outstanding DSUs	**829,937**	738,516
Outstanding RSUs	**145,383**	138,618

Share-based compensation expense recorded for the second quarter and year-to-date of fiscal 2014 in respect of these plans was $2,688 and $4,709 (2013 – $2,437 and $4,039). As at February 28, 2014, the carrying value of the PSU, DSU and RSU units was $23,386 (August 31, 2013 – $27,046).

Dividend reinvestment plan

In fiscal 2014, the Company issued 487,559 Class B Non-Voting Shares, resulting in an increase in share capital of $11,745.

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Amortization of program rights	**51,613**	42,093	**102,144**	83,221
Amortization of film investments	**5,143**	3,501	**9,055**	9,708
Other cost of sales	**5,467**	11,059	**13,656**	21,061
Employee costs	**37,220**	36,086	**74,011**	73,658
Other general and administrative	**32,688**	28,919	**66,994**	59,439
	132,131	121,658	**265,860**	247,087

12. INTEREST EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Interest on long-term debt	**8,169**	10,238	**13,949**	19,465
Imputed interest on long-term liabilities	**4,109**	2,628	**7,145**	5,153
Other	**326**	405	**780**	785
	12,604	13,271	**21,874**	25,403

13. OTHER EXPENSE (INCOME), NET

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Interest income	**(169)**	(340)	**(375)**	(353)
Foreign exchange loss (gain)	**666**	400	**632**	473
Equity loss (earnings) of investees	**157**	474	**1,406**	185
Income from joint venture	**—**	(2,710)	**—**	(8,736)
(Decrease) Increase in purchase price obligation	**(2,056)**	—	**5,288**	—
Other	**396**	(962)	**1,754**	(236)
	(1,006)	(3,138)	**8,705**	(8,667)

14. INCOME TAXES

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

	2014		2013	
	$	**%**	$	%
Tax at combined federal and provincial rates	**50,039**	**26.5%**	21,133	26.5%
Income subject to tax at less than statutory rates	**(113)**	**(0.1%)**	(863)	(1.1%)
Non-taxable portion of capital gains	**(33,869)**	**(17.9%)**	—	—%
Transaction costs	**10,139**	**5.4%**	—	—%
Increase (recovery) of various tax reserves	**2,316**	**1.2%**	—	—%
Miscellaneous differences	**1,021**	**0.5%**	(1,357)	(1.7%)
	29,533	**15.6%**	18,913	23.7%

15. 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 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.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2014
(in thousands of Canadian dollars, except per share information)

Revenues and segment profit

Three months ended February 28, 2014

	Television	Radio	Corporate	Consolidated
Revenues	**152,101**	**39,312**	**—**	**191,413**
Direct cost of sales, general and administrative expenses	**94,067**	**30,842**	**7,222**	**132,131**
Segment profit (loss)	**58,034**	**8,470**	**(7,222)**	**59,282**
Depreciation and amortization				**5,533**
Interest expense				**12,604**
Broadcast license impairment				**8,000**
Business acquisition, integration and restructuring costs				**18,734**
Other expense (income), net				**(1,006)**
Income before income taxes				**15,417**

Three months ended February 28, 2013

	Television	Radio	Corporate	Consolidated
Revenues	132,343	40,277	—	172,620
Direct cost of sales, general and administrative expenses	84,233	30,623	6,802	121,658
Segment profit (loss)	48,110	9,654	(6,802)	50,962
Depreciation and amortization				7,495
Interest expense				13,271
Debt refinancing				25,033
Other expense (income), net				(3,138)
Income before income taxes				8,301

Six months ended February 28, 2014

	Television	Radio	Corporate	Consolidated
Revenues	**330,050**	**87,368**	**—**	**417,418**
Direct cost of sales, general and administrative expenses	**189,492**	**63,061**	**13,307**	**265,860**
Segment profit (loss)	**140,558**	**24,307**	**(13,307)**	**151,558**
Depreciation and amortization				**11,268**
Interest expense				**21,874**
Broadcast license impairment				**8,000**
Business acquisition, integration and restructuring costs				**40,656**
Gain on sale of associated company				**(127,884)**
Other expense (income), net				**8,705**
Income before income taxes				**188,939**

Six months ended February 28, 2013

	Television	Radio	Corporate	Consolidated
Revenues	289,965	92,601	—	382,566
Direct cost of sales, general and administrative expenses	171,333	63,991	11,763	247,087
Segment profit (loss)	118,632	28,610	(11,763)	135,479
Depreciation and amortization				13,901
Interest expense				25,403
Debt refinancing				25,033
Other expense (income), net				(8,667)
Income before income taxes				79,809

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 **February 28,**		Six months ended **February 28,**	
	2014	2013	**2014**	2013
Advertising	**87,870**	75,021	**211,242**	182,514
Subscriber fees	**83,562**	68,204	**162,677**	137,616
Merchandising, distribution and other	**19,981**	29,395	**43,499**	62,436
	191,413	172,620	**417,418**	382,566

Segment assets and liabilities

	February 28, 2014	August 31, 2013
Assets		
Television	**2,231,757**	1,408,929
Radio	**463,314**	460,341
Corporate	**202,150**	297,867
	2,897,221	2,167,137
Liabilities		
Television	**468,697**	251,387
Radio	**75,169**	75,488
Corporate	**1,008,099**	619,429
	1,551,965	946,304

Assets and liabilities are located primarily within Canada.

16. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2014	2013	**2014**	2013
Interest paid	**14,594**	18,705	**15,011**	19,411
Interest received	**169**	340	**375**	353
Income taxes paid	**14,045**	4,433	**26,745**	15,907

17. 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, Corus gained majority Board representation of TELETOON. 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 were substantive, and its exposure to the variable returns from TELETOON were such that the Company's ability to direct TELETOON's relevant activities could have a significant impact to Corus as an owner.

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. On December 20, 2013, the Company received CRTC approval 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, September 1, 2013.

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 in the first quarter of fiscal 2014 as a result of the remeasurement to fair value of 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 $4.1 million for the

estimated remaining purchase price owing to Bell Media Inc. ("Bell") included in current liabilities in the Consolidated Statements of Financial Position as at February 28, 2014. This liability has increased by $4.1 million from the preliminary purchase price equation below to reflect the payments made to Bell and changes in expected cash outflows due to Bell's participation in changes in working capital since September 1, 2013, with a corresponding expense included in *Other (income) expense, net* in the Consolidated Statements of Income and Comprehensive Income for the same period.

The preliminary purchase price equation, which was accounted for using the purchase method, includes certain estimates and will be finalized within twelve months of the acquisition date.

Acquisition of control of Historia and Séries+ s.e.nc. ("H&S")

On January 1, 2014, the Company acquired 50% of the outstanding shares of the French-language specialty channels, H&S from Bell as part of its acquisition of Astral Media Inc. ("Astral"). In addition, on the same date the Company acquired the remaining 50% of the outstanding shares of H&S from Shaw Media Inc. ("Shaw"), a related party to Corus subject to common voting control. The results of operations of H&S, as well as its assets and liabilities, are included in the Television segment at 100% interest, effective January 1, 2014.

The preliminary purchase price equation, which was accounted for using the purchase method, includes certain estimates and will be finalized within twelve months of the acquisition date.

Acquisition of control of Ottawa radio stations (CJOT-FM and CKQB –FM, "Ottawa radio")

On January 31, 2014, the Company acquired 100% of the outstanding shares of the Ottawa radio stations from Bell. The results of operations of Ottawa radio, as well as their assets and liabilities, are included in the Radio segment at 100% interest, effective January 31, 2014.

The preliminary purchase price equation, which was accounted for using the purchase method, includes certain estimates and will be finalized within twelve months of the acquisition date.

Purchase price equations

The following table summarizes the fair value of the consideration owing and the fair value assigned to each major class of assets and liabilities for each preliminary purchase price equation.

Fair value recognized on acquisition date:	**TELETOON**	**H&S**	**Ottawa radio**	**Total**
Assets				
Cash	4,815	—	—	4,815
Restricted cash	4,815	—	—	4,815
Accounts receivable	24,632	9,631	1,092	35,355
Other assets	48	17	47	112
Property, plant and equipment	—	—	850	850
Program and film rights	69,036	8,503	—	77,539
Broadcast license	284,000	189,899	8,500	482,399
	387,346	208,050	10,489	605,885

Fair value recognized on acquisition date:	TELETOON	H&S	Ottawa radio	Total
Liabilities				
Accounts payable and accrued liabilities	(10,023)	(3,563)	(1,130)	(14,716)
Other long-term liabilities	(35,119)	—	(2,407)	(37,526)
Deferred tax liability	(53,333)	(50,041)	(2,083)	(105,457)
	(98,475)	(53,604)	(5,620)	(157,699)
Total identifiable net assets at fair value	**288,871**	**154,446**	**4,869**	**448,186**
Goodwill arising on acquisition	218,759	126,821	8,366	353,946
Fair value of existing 50% ownership interest	(253,815)	—	—	(253,815)
Purchase price obligation on acquisition date	**253,815**	**281,267**	**13,235**	**548,317**

In the second quarter of fiscal 2014, the Company incurred $6.8 million in transaction, restructuring and consulting costs related to the business acquisitions. In addition, the Company, upon acquisition of control of H&S and the two Ottawa radio stations on January 1, 2014 and January 31, 2014, respectively, recorded a charge of $11.9 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 these acquisitions.

For the six month period ended February 28, 2014, the Company incurred $40.7 million of total transaction, restructuring and consulting costs, which included $8.7 million in restructuring costs and $31.9 million related to the present value of CRTC tangible benefit obligations. These costs were recorded in the Consolidated Statements of Income and Comprehensive Income in the line item entitled *Business acquisition, integration and restructuring costs.*

As at February 28, 2014, the Company has purchase obligations owing of approximately $8.1 million for these acquisitions. On March 27, 2014, the working capital adjustment on H&S was finalized and the Company made cash payments of $2.5 million to Shaw and $0.6 million to Bell with respect to these business combinations.

Pro forma disclosures

The following pro forma supplemental information represents certain results of operations as if the transactions noted above had been completed at the beginning of the fiscal period presented.

For the six months ended February 28, 2014

(in thousands of dollars except per share amounts)	As currently reported[1]	Pro forma[2]
Revenues	417,418	438,549
Net income attributable to shareholders	157,007	164,615

[1] Revenues of $60.5 million and net income of $15.9 million are included in the Consolidated Statements of Income and Comprehensive Income from the date of acquisition.

[2] Pro forma amounts for the six months ended February 28, 2014, reflect H&S and the two Ottawa radio stations as if they were acquired September 1, 2013. TELETOON was fully consolidated effective September 1, 2013.

The pro forma supplemental information is based on estimates and assumptions which are believed to be reasonable. The pro forma supplemental information is not necessarily indicative of the Company's consolidated financial results in future periods or the results that would have been realized had the business acquisitions been completed at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2014
(in thousands of Canadian dollars, except per share information)