



***Second Quarter 2016
Report to Shareholders***

***For the Three and Six Months Ended February 29, 2016
(Unaudited)***

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CORUS ENTERTAINMENT INC.
Second Quarter 2016 Report to Shareholders

Highlights

Financial Highlights

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

| (in thousands of Canadian dollars except per share amounts) | Three months ended | | Six months ended | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Revenues | | | | |
| Television | 163,432 | 155,175 | 347,150 | 336,665 |
| Radio | 34,273 | 36,309 | 78,873 | 81,930 |
| | 197,705 | 191,484 | 426,023 | 418,595 |
| Segment profit⁽¹⁾ | | | | |
| Television | 81,405 | 59,700 | 169,440 | 143,479 |
| Radio | 5,182 | 6,227 | 17,985 | 19,047 |
| Corporate | (7,008) | (6,208) | (11,968) | (9,531) |
| | 79,579 | 59,719 | 175,457 | 152,995 |
| Net income (loss) attributable to shareholders | 102,232 | (86,786) | 143,552 | (34,880) |
| Adjusted net income attributable to shareholders^{(1) (2)} | 20,944 | 28,499 | 63,428 | 80,405 |
| Basic earnings (loss) per share | \$ 1.17 | \$ (1.01) | \$ 1.64 | \$ (0.41) |
| Adjusted basic earnings per share^{(1) (2)} | \$ 0.24 | \$ 0.33 | \$ 0.72 | \$ 0.93 |
| Diluted earnings (loss) per share | \$ 1.17 | \$ (1.01) | \$ 1.63 | \$ (0.41) |
| Free cash flow⁽¹⁾ | 24,284 | 59,242 | 58,821 | 92,624 |

⁽¹⁾ Segment profit, adjusted segment profit, adjusted net income (loss) attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions and explanations, see discussion under the Key Performance Indicators section of the Fiscal 2016 Report to Shareholders.

⁽²⁾ For the three months ended February 29, 2016, segment profit has been adjusted to include amortization of disposed Pay TV programming assets of \$14.2 million (\$0.12 per share), while adjusted net income attributable to shareholders includes the preceding as well as excludes business acquisition, integration and restructuring charges of \$6.0 million (\$0.06 per share) and a gain on the disposal of the Pay TV disposal group of \$86.2 million (\$0.87 per share). For the six months ended February 29, 2016, segment profit has been adjusted to include amortization of disposed Pay TV programming assets of \$15.6 million (\$0.13 per share), while adjusted net income attributable to shareholders includes the preceding as well as excludes business acquisition, integration and restructuring charges of \$8.4 million (\$0.08 per share) and a gain on the disposal of the Pay TV disposal group of \$86.2 million (\$0.87 per share). For the three and six months ended February 28, 2015, adjusted net income attributable to shareholders excludes radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), business acquisition, integration and restructuring charges of \$8.0 million (\$0.07 per share), offset by a gain on distribution of investment of \$17.0 million (\$0.17 per share).

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Significant Events in the Quarter

- On December 1, 2015, the Company announced the launch of Disney Junior and Disney XD in over eight million households across English Canada, providing Canadian families with the full Disney experience across platforms.
- On December 8, 2015, the Company was named, for the sixth time, one of Greater Toronto's Top Employers for 2016 by Mediacorp Canada Inc. This special designation recognizes Greater Toronto employers that lead their industries in offering exceptional places to work.
- On December 30, 2015, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On January 6, 2016, the Company announced new international broadcast deals for its original lifestyle content, including the sale of broadcast rights for *Buying the View* to Digicast RCS MediaGroup's Dove Channel in Italy and *Masters of Flip* to Nine Entertainment Co. for digital multichannel 9Life in Australia.
- On January 11, 2016, the Company, for the sixth year in a row, was named one of Canada's Top Employers for Young People for 2016 by MediaCorp Canada Inc. This award recognizes Corus for being a leader in attracting and retaining younger employees.
- On January 13, 2016, the Company announced that it had entered into a share purchase agreement with Shaw Communications Inc. ("Shaw") pursuant to which the Company agreed to acquire Shaw Media Inc. from Shaw (the "Acquisition") for purchase consideration of \$2.65 billion, consisting of cash consideration of approximately \$1.85 billion and the issuance of Corus Class B common shares to Shaw valued at approximately \$800 million, subject to certain working capital adjustments. The Company secured fully committed financing in connection with the transaction.
- On January 18, 2016, the Company announced the voting results from its Annual Meeting of Shareholders (the "Meeting") held on January 13, 2016. 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 22, 2016, the Company announced a comprehensive content deal with shomi for a slate of Nickelodeon series, including more than 700 half-hour episodes of 21 hit shows.
- On January 29, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On February 1, 2016, the Company announced its expansion into live events with the launch of Corus Live, a new initiative leveraging Corus' TV, radio, digital and production expertise to connect audiences with talent and brands through immersive, live experiences staged across the country. Corus Live will present its inaugural event CMT Music Fest, a two-day festival featuring headliners Eric Church and Zac Brown Band, on July 8 and 9, 2016, in Kitchener, Ontario.
- On February 4, 2016, the Company's Nelvana subsidiary announced its appointment as master agent for Moose Toys' multi-award-winning brand Shopkins across Europe, the Middle East and Africa (EMEA, excluding the UK and Ireland). Working with representative agents around the EMEA, Nelvana has already secured partnerships in France, Benelux, Germany, Greece and the Middle East.
- On February 17, 2016, the Company announced that its 2015 United Way/Corus Feeds Kids campaign raised a total of \$330,722 in support of many charitable organizations across the country and was awarded a Spirit Award for its Leadership Campaign (in the Technology and Communications sector) at the 2015 United Way Celebration Gala.

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- On February 25, 2016, the Company, for the eighth year in a row, was named one of Canada's Best Diversity Employers for 2016 by MediaCorp Canada Inc. This award recognizes Corus for its exceptional workplace diversity and inclusiveness programs.
- On February 29, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On February 29, 2016, the Company ceased operations of its regional Pay Television business in Western Canada, including Movie Central, Encore Avenue and HBO Canada.

Significant Events Subsequent to the Quarter

- On March 1, 2016, Corus Radio announced the launch of HERE Radio HD Traffic, the first in-vehicle, real time HD Radio traffic service in Canada, allowing drivers with enabled devices and automobiles to receive local traffic and road updates on their vehicle's navigation display screen when tuned into Corus' HD Radio channels.
- On March 9, 2016, the Company announced the voting results from its Special Meeting of holders of Class A Participating Shares and Class B Non-Voting Participating Shares of Corus. All matters put forth at the Special Meeting, including Corus' proposed acquisition of Shaw Media Inc. from Shaw Communications Inc., were approved by a majority of Class A and Class B shareholders as detailed in the Company's filing on www.sedar.com.
- On March 14, 2016, the Company announced that its programming, original productions and films received a total of 19 Canadian Screen Awards, including Best Writing in an Animated Program or Series for *Numb Chucks* on YTV, Best Animated Program or Series for *Rocket Monkeys* on TELETOON and Best Picture Editing in a Factual Program or Series for *Hockey Wives* on the W Network.
- On March 21, 2016, the Company's CMT *Chevy Top 20 Countdown* host Paul McGuire was awarded the 2016 International Country Broadcaster Award by the Country Music Association (CMA).
- On March 23, 2016, the Company received approval from the Canadian Radio-television and Telecommunications Commission ("CRTC") to acquire Shaw Media Inc.
- On March 31, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On April 1, 2016, the Company announced the completion of its \$2.65 billion acquisition (the "Acquisition") of Shaw Media Inc. ("Shaw Media"). Concurrently, the Company unveiled a new corporate brand and announced a new senior leadership team, inclusive of both Corus and Shaw Media executives. The Acquisition and refinancing of existing Corus debt was funded by a combination of net proceeds of approximately \$2.3 billion drawn under the \$2.6 billion syndicated senior secured credit facilities; the net proceeds of an offering of 29,210,000 subscription receipts, inclusive of 3,810,000 subscription receipts issued pursuant to the exercise in full of the underwriters' over-allotment option, that raised gross proceeds of \$262.9 million; and the net proceeds of a concurrent private placement of 3,560,000 subscription receipts to certain members of the Shaw family that raised total gross proceeds of \$32.0 million. As a result of the closing of the Acquisition, Corus' 32,770,000 subscription receipts, issued at a price of \$9.00 per subscription receipt, were automatically settled on a one-for-one basis for Class B Shares on April 1, 2016. In addition, a cash dividend equivalent payment of \$0.19 per subscription receipt, less any applicable withholding taxes, were paid to holders of subscription receipts on or about April 4, 2016.
- On April 1, 2016, the Company announced the redemption of all of its outstanding \$550 million 4.25% senior unsecured guaranteed notes due 2020. The redemption date is April 18, 2016.

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- On April 11, 2016, the Company's Kids Can Press announced a new imprint, KCP Loft, to focus on Young Adult fiction and non-fiction. Concurrently, the Company announced that respected editor Kate Egan, known for her work on *The Hunger Games*, will join KCP Loft as Editorial Director, with plans to oversee the release of four novels in 2017.
- On April 12, 2016, the Company announced a content licensing deal with Netflix for streaming rights to a slate of Nickelodeon library content in Canada.

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 29, 2016 is prepared at March 31, 2016. 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, 2015 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 Entertainment Inc. ("Corus" or the "Company") 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

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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, Corus disclaims 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.

For a discussion on the Company's results of operations for fiscal 2015, we refer you to the Company's Annual Report for the year ended August 31, 2015 filed on SEDAR on November 5, 2015.

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

Overview of Consolidated Results

For fiscal 2016, certain of Corus' Pay Television business' ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under *International Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations*. The Company's business activities are conducted through two operating segments, Television and Radio. The disposal group, Pay TV, is not a separate operating segment, but it is included as part of the Television operating segment. Accordingly, the disposal group, Pay TV, does not qualify for discontinued operations presentation and as a result its operating results remain in continuing operations in the consolidated statement of income and comprehensive income for the six months ended February 29, 2016. However, intangible assets classified as held for disposal ceased being amortized effective November 19, 2015 and as a consequence, amortization of program and film rights in the Television segment for the three and six months ended February 29, 2016 is approximately lower by \$14.2 million and \$15.6 million, respectively, than it would have been had amortization on these assets not ceased. On February 29, 2016, the Pay TV disposition was completed and the related proceeds associated with this disposal group were recognized. Further discussion is provided in note 16 of the Company's interim consolidated financial statements for the period ended February 29, 2016.

Revenues

Revenues for the second quarter of fiscal 2016 were \$197.7 million, compared to \$191.5 million in the prior year. On a consolidated basis, subscriber revenues increased by 5%, merchandising, distribution and other revenues increased by 32%, while advertising revenues decreased by 8%. Revenues increased in Television by 5%, but decreased in Radio by 6% in the second quarter compared to the prior year. Further analysis of revenues is provided in the discussion of segmented results.

For the six month period ended February 29, 2016, revenues of \$426.0 million were up 2% from \$418.6 million in the prior year. On a consolidated basis, both subscriber revenues and merchandising, distribution and other revenues increased by 3% and 29%, respectively, while advertising revenues decreased by 6%. Refer to discussions of segmented results for additional analysis of revenues.

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Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the second quarter of fiscal 2016 of \$118.1 million were down 10% from \$131.8 million in the prior year. On a consolidated basis, direct cost of sales decreased 23%, other general and administrative expenses decreased by 4%, offset by increases in employee costs of 7%.

For the six month period ended February 29, 2016, expenses of \$250.6 million were down 6% from \$265.6 million in the prior year. On a consolidated basis, direct costs decreased 14%, offset by increases in other general and administrative expenses of 2%, and employee costs of 4%. Further analysis of expenses is provided in the discussion of segmented results.

For the three and six months ended February 29, 2016, direct cost of sales excludes amortization not taken on Pay TV program and film rights assets of \$14.2 million and \$15.6 million, respectively that were part of the disposal group.

Segment profit

Consolidated segment profit for the second quarter of fiscal 2016 was \$79.6 million, up 33% from \$59.7 million last year, however, excludes amortization of disposed Pay TV program and film rights of \$14.2 million. Adjusting for this, segment profit would be \$65.4 million, up 10% from last year.

For the six month period ended February 29, 2016, consolidated segment profit was \$175.5 million, up 15% from \$153.0 million last year, however, excludes amortization of disposed Pay TV program and film rights of \$15.6 million. Adjusting for this, segment profit would be \$159.9 million, up 4% from last year. Further analysis is provided in the discussion of segmented results.

Depreciation and amortization

Depreciation and amortization expense for the second quarter of fiscal 2016 was \$10.6 million, up from \$6.1 million in the prior year. For the six month period ended February 29, 2016, depreciation and amortization expense was \$21.6 million, up from \$11.9 million in the prior year. The increase in the quarter and year-to-date arises from higher amortization on trade marks and other intangible assets associated with new long-term licensing agreements that commenced in fiscal 2016.

Interest expense

For the three and six month periods ended February 29, 2016, interest expense was \$18.5 million and \$37.4 million, up from \$12.7 million and \$25.4 million, respectively, in the prior year, primarily due to \$7.3 million and \$14.1 million, respectively, of additional imputed interest costs resulting from new long-term licensing agreements that commenced in fiscal 2016, offset by lower interest on bank loans.

The effective interest rate on bank loans and notes for both the second quarter of fiscal 2016 and the six month period ended February 29, 2016 was 4.3% compared to 4.1% in the prior year for the same comparable periods. The higher effective rate results from a higher proportion of interest from notes at fixed rates and commitment fees on bank debt. On February 3, 2016, the \$150.0 million Term Facility was repaid in full.

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Broadcast license and goodwill impairment

In the second quarter of fiscal 2015, the Company recorded broadcast license impairment charges of \$23.0 million and a goodwill impairment charge of \$107.0 million in its Radio segment.

Business acquisition, integration and restructuring costs

For the three months ended February 29, 2016, the Company incurred \$6.0 million of business integration and restructuring costs compared to \$8.0 million in the prior year. The current year costs were primarily attributable to acquisition related costs in the Corporate segment relating to the acquisition of Shaw Media Inc. which was completed April 1, 2016.

For the six months ended February 29, 2016, the Company incurred \$8.4 million of business acquisition, integration and restructuring costs compared to \$8.0 million last year.

Gain on disposition

On February 29, 2016, the Company disposed of certain assets and related liabilities of its Pay TV business, which resulted in a gain of \$86.2 million. The company received cash proceeds of \$211.0 million from Bell Media Inc. to cease operations of its Pay TV business and incurred \$1.5 million in transaction costs. Further detail is provided in the discussion of the segmented results (refer also to note 16 of the interim condensed consolidated financial statements for further details).

Other expense (income), net

Other expense for the three and six months ended February 29, 2016 was \$5.1 million and \$9.1 million, respectively, compared to income of \$15.9 million and \$14.1 million in the prior year. The expense in the first six months of fiscal 2016 relates to higher foreign exchange losses, offset by a venture fund distribution gain of \$0.5 million. In the prior year, the Company received cash proceeds of \$18.5 million from Steamboat Ventures relating to its disposal of an investment, of which \$1.5 million related to a return of capital resulting in a gain of \$17.0 million.

Income tax expense

The effective tax rate for the six months ended February 29, 2016 was 21.2% compared to the Company's 26.5% statutory rate. The lower effective tax rate is primarily the result of the non-taxable portion of capital gains associated with the disposition of certain Pay TV assets recorded in the second quarter of fiscal 2016.

The effective tax rate for the six months ended February 28, 2015 was a negative 298.5% compared to the Company's 26.6% statutory rate. The lower effective tax rate is primarily the result of the \$107.0 million goodwill impairment charge recorded in the quarter, which is not a tax-deductible expense.

Net income (loss) and earnings (loss) per share

Net income attributable to shareholders for the second quarter of fiscal 2016 was \$102.2 million (\$1.17 per share), as compared to a net loss of \$86.8 million (\$1.01 per share) in the prior year. Net income attributable to shareholders for the three months ended February 29, 2016 includes business acquisition, integration and restructuring costs of \$6.0 million (\$0.06 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of \$86.2 million (\$0.87 per

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share), and excludes amortization of disposed of Pay TV program and film rights of \$14.2 million (\$0.12 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$20.9 million (\$0.24 per share basic) in the quarter. Net loss attributable to shareholders for the prior year quarter includes radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), business acquisition, integration and restructuring costs of \$8.0 million (\$0.07 per share), offset by a gain on disposition of investment of \$17.0 million (\$0.17 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of \$28.5 million (\$0.33 per share basic) in the quarter.

Net income attributable to shareholders for the six months ended February 29, 2016 was \$143.6 million (\$1.64 per share), as compared to a net loss of \$34.9 million (\$0.41 per share) in the prior year. Net income attributable to shareholders for the fiscal 2016 year-to-date includes business acquisition, integration and restructuring costs of \$8.4 million (\$0.08 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of \$86.2 million (\$0.87 per share), and excludes amortization of disposed of Pay TV program and film rights of \$15.6 million (\$0.13 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of \$63.4 million (\$0.72 per share basic) for the current year-to-date. Net loss attributable to shareholders for the fiscal 2015 year-to-date includes radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), business acquisition, integration and restructuring costs of \$8.0 million (\$0.07 per share), offset by a gain on disposition of investment of \$17.0 million (\$0.17 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of \$80.4 million (\$0.93 per share basic) for the prior year-to-date.

The weighted average number of basic shares outstanding for the three and six months ended February 29, 2016, was 87,688,000 and 87,784,000, respectively, and has increased in the current year due to the issuance of stock options and the issuance of shares from treasury under the Company's dividend reinvestment plan.

Other comprehensive income (loss), net of tax

Other comprehensive income for the six months ended February 29, 2016 was \$0.7 million, compared to \$3.1 million in the prior year. This decrease of \$2.4 million resulted primarily from lower unrealized income from foreign currency translation adjustments, higher unrealized gains in fair value of hedges, and lower unrealized losses from available-for-sale investments in the current year.

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Television

The Television segment is comprised of: YTV; Treehouse; Nickelodeon (Canada); ABC Spark; TELETOON, TÉLÉTOON, TELETOON Retro, TÉLÉTOON Rétro (both discontinued August 31, 2015); Disney Channel (Canada) and La chaîne Disney (launched September 1, 2015); Disney Junior and Disney XD (launched December 1, 2015); 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 – all discontinued February 29, 2016); three conventional television stations serving Southeastern Ontario including 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); and the Company's majority interest in CMT (Canada), CosmopolitanTV, and Teletatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, Univision (Canada), Telegimbi).

Financial Highlights

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| (thousands of Canadian dollars) | | | | |
| Revenues | 163,432 | 155,175 | 347,150 | 336,665 |
| Expenses | 82,027 | 95,475 | 177,710 | 193,186 |
| Segment profit ⁽¹⁾ | 81,405 | 59,700 | 169,440 | 143,479 |
| Amortization of disposed programming assets | (14,185) | - | (15,585) | - |
| Adjusted segment profit ⁽¹⁾ | 67,220 | 59,700 | 153,855 | 143,479 |

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

Revenues increased by 5% in the second quarter of fiscal 2016 as a result of a 5% increase in subscriber revenues and a 40% increase in merchandising, distribution and other revenues, offset by an 8% decrease in specialty advertising revenues. Growth in subscriber revenues was driven by the launch of Disney Channel (Canada) and La chaîne Disney in September 2015 as well as the launch of Disney Jr and Disney XD in December 2015. The increase in merchandising, distribution and other revenues was attributable to growth in distribution revenues from content licensing deals in the Subscription Video-On-Demand market and \$6.5 million in non-recurring revenues which resulted from transition services performed by Corus to assist Bell Media Inc. in launching their national Pay TV service in a timely manner. The decline in specialty advertising revenues was primarily a result of soft advertising demand in the consumer packaged goods category, partially offset by growth in Kids directed advertising on our Kids networks. Year-to-date specialty advertising revenues were down 7%, subscriber revenues were up 3% and merchandising, distribution and other revenues were up 37%.

Total expenses in the second quarter of fiscal 2016 decreased by 14% compared to the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were 23% lower than the prior year, principally as a result of amortization ceasing on certain programming assets in our Pay TV business of \$14.2 million. In addition, lower programming amortization from other services and reduced production and distribution costs offset increased amortization expense related to the new Disney and Nickelodeon program licensing agreements which came into effect September 1, 2015. General and administrative expenses increased 4% from the prior

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year as a result of additional costs related to the addition of the four new Disney-branded services. Year-to-date total expenses are down 8% from the prior year, with direct cost of sales down 14% (as a result of amortization ceasing on certain program and film rights in the Pay TV business of \$15.6 million) and general and administrative expenses, up 4%.

Segment profit increased 36% in the second quarter of fiscal 2016 (or 13% on an adjusted segment profit⁽¹⁾) and 18% year-to-date (or 7% on an adjusted segment profit⁽¹⁾). Adjusted segment profit margin⁽¹⁾ for the quarter and year-to-date was 41% and 44%, respectively, up from the prior year of 38% and 43%, respectively.

For fiscal 2016, certain of Corus' Pay TV assets and liabilities have been reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under *International Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations*. The Company's business activities are conducted through two operating segments, Television and Radio. The disposal group, Pay TV, is not a separate operating segment, but it is included as part of the Television operating segment. Accordingly, the disposal group, Pay TV, does not qualify for discontinued operations presentation and as a result, its operating results remain in continuing operations. Intangible assets reclassified as held for disposal ceased being amortized effective November 19, 2015 and as a consequence, amortization of program and film rights in the Television segment for the three and six months ended February 29, 2016, is lower by approximately \$14.2 million and \$15.6 million, respectively, than it would have been had amortization on these assets not ceased. Further discussion is provided in note 16 of the Company's interim consolidated financial statements for the period ended February 29, 2016.

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

Radio

The Radio segment is comprised of 39 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

Financial Highlights

| (thousands of Canadian dollars) | Three months ended | | Six months ended | |
|---------------------------------|--------------------|-------------------|-------------------|-------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Revenues | 34,273 | 36,309 | 78,873 | 81,930 |
| Expenses | 29,091 | 30,082 | 60,888 | 62,883 |
| Segment profit ⁽¹⁾ | 5,182 | 6,227 | 17,985 | 19,047 |

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

Revenues decreased 6% for the second quarter of fiscal 2016 and 4% year-to-date. Vancouver and Ottawa continued to deliver growth in the quarter and on a year-to-date basis. The majority of the decline for the second quarter and year-to-date was attributable to Edmonton and Winnipeg. The weaker Alberta economy has impacted the advertising revenue, particularly in the Edmonton market, while in Winnipeg, programming changes have not yet translated into improved ratings and revenues.

Direct cost of sales, general and administrative expenses decreased 3% in the second quarter of fiscal 2016 and year-to-date. Variable expenses decreased 12% for the quarter and 9% year-to-date, driven

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mainly by lower costs directly correlated to revenue. Fixed costs, which represent a much higher proportion of the cost structure, were flat in the quarter and decreased 1% year-to-date. The year-to-date decrease was driven mainly by lower employee-related costs offset by higher premises costs.

Radio’s segment profit decreased 17% in the second quarter of fiscal 2016 and 6% year-to-date. The segment profit margin decreased from 17% in the prior year to 15% this quarter and was 23% on a year-to-date basis, which was in line with prior year.

Subsequent to the quarter end, the Winter PPM audience ratings were released. Highlights include: Calgary’s Country 105 maintained its number one position in the A25-54 demographic segment while Q107 Calgary climbed to the number three position; Vancouver’s Rock 101 and CFOX maintained their strength, with both of these stations in the top four A25-54 demographic segment; Toronto’s Q107 maintained the sixth ranked market position in the A25-54 demographic segment and recovered their number one position in their core target demographic of M35-54; Edmonton’s ratings improved, increasing their market share by three points year over year.

Corporate

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

Financial Highlights

| | Three months ended | | Six months ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| (thousands of Canadian dollars) | | | | |
| Share-based compensation | 1,020 | 1,405 | 790 | 2,303 |
| Other general and administrative costs | 5,988 | 4,803 | 11,178 | 7,228 |
| | 7,008 | 6,208 | 11,968 | 9,531 |

Share-based compensation includes expenses related to the Company’s stock options and other long-term incentive plans (such as Performance Share Units - “PSUs”, Deferred Share Units – “DSUs”, and Restricted Share Units – “RSUs”). The expense fluctuates with changes in assumptions, primarily regarding the Company’s share price and number of units estimated to vest. Lower second quarter and year-to-date share-based compensation reflects a decrease in the number of units that achieved vesting targets and a lower share price compared to the prior year.

Other general and administrative costs have increased in the second quarter of fiscal 2016, primarily due to higher costs related to short-term performance incentive plans. On a year-to-date basis, other general and administrative costs were up, primarily due to higher costs related to short-term performance incentive plans in the current year and unusually lower costs related to the Corus Quay facility incurred in the first quarter of the prior year.

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QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2015, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the strongest and second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the interim condensed consolidated financial statements for each of the eight most recent quarters ended February 29, 2016. 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, 2015.

[thousands of Canadian dollars, except per share amounts]

| | Revenues | Segment profit ⁽¹⁾ | Net income (loss) attributable to shareholders | Adjusted net income attributable to shareholders | Earnings per share | | |
|-------------|----------|-------------------------------|--|--|--------------------|----------|----------|
| | | | | | Basic | Diluted | Adjusted |
| 2016 | | | | | | | |
| 2nd quarter | 197,705 | 79,579 | 102,232 | 20,944 | \$ 1.17 | \$ 1.17 | \$ 0.24 |
| 1st quarter | 228,318 | 95,878 | 41,320 | 42,484 | \$ 0.47 | \$ 0.49 | \$ 0.47 |
| 2015 | | | | | | | |
| 4th quarter | 193,599 | 55,493 | 17,835 | 23,967 | \$ 0.21 | \$ 0.21 | \$ 0.28 |
| 3rd quarter | 203,121 | 68,699 | (8,109) | 31,550 | \$(0.09) | \$(0.09) | \$ 0.36 |
| 2nd quarter | 191,484 | 59,719 | (86,786) | 28,499 | \$(1.01) | \$(1.01) | \$ 0.33 |
| 1st quarter | 227,111 | 93,276 | 51,906 | 51,906 | \$ 0.60 | \$ 0.60 | \$ 0.60 |
| 2014 | | | | | | | |
| 4th quarter | 201,557 | 58,349 | 23,727 | 26,785 | \$ 0.28 | \$ 0.28 | \$ 0.31 |
| 3rd quarter | 214,041 | 79,731 | (30,325) | 41,602 | \$(0.36) | \$(0.36) | \$ 0.49 |

⁽¹⁾As defined in "Key Performance Indicators".

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the second quarter of fiscal 2016 was positively impacted by a gain of \$86.2 million (\$0.87 per share) resulting from a gain on disposition of assets relating to the Pay TV business, amortization ceasing on certain programming assets disposed of at the end of the quarter of \$14.2 million (\$0.12 per share), and negatively impacted by restructuring costs of \$6.0 million (\$0.06 per share). In addition, segment profit was also positively impacted by amortization ceasing on the aforementioned Pay TV programming assets by \$14.2 million.

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- Net income attributable to shareholders for the first quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of \$2.4 million (\$0.03 per share) and positively impacted by amortization ceasing on certain programming assets reclassified as held for disposal of \$1.4 million (\$0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of \$8.3 million (\$0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2015 was negatively impacted by non-cash impairment charges in program rights and film investments of \$51.8 million (\$0.44 per share) and restructuring costs of \$2.7 million (\$0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2015 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), restructuring costs of \$8.0 million (\$0.07 per share) and positively impacted by a gain of \$17.0 million (\$0.17 per share) resulting from a gain on disposition of investment.
- Net income attributable to shareholders for the fourth quarter of fiscal 2014 was negatively impacted by business acquisition, integration and restructuring costs of \$5.6 million (\$0.04 per share) offset by an investment impairment recovery of \$1.0 million (\$0.01 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2014 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of \$75.0 million (\$0.85 per share), capital asset impairment charge of \$1.2 million (\$0.01 per share), business acquisition, integration and restructuring costs of \$0.6 million (\$0.01 per share) and positively impacted by a decrease in the purchase price obligation of \$2.0 million (\$0.02 per share).

Risks and Uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2015 Annual Report under the "Risks and Uncertainties" section. On April 1, 2016, the Company completed its acquisition (the "Acquisition") of Shaw Media Inc. ("Shaw Media"). As a result, there have been the following changes in the risks or uncertainties facing the Company since that date.

Risks related to the acquisition

Integration of the combined business

Corus' ability to maintain and successfully execute its business depends upon the judgment and project execution skills of its senior professionals. Any management disruption or difficulties in integrating Corus' and Shaw Media's management and operations staff could significantly affect Corus' business and results of operations. The success of the Acquisition will depend, in large part, on the ability of management to realize the anticipated benefits and cost synergies from integration of the businesses of Corus and Shaw Media. The integration of the businesses may result in significant challenges, and management may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with business partners such as agencies and content providers or employees or to achieve the anticipated benefits of the Acquisition.

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The integration of Shaw Media requires the dedication of substantial effort, time and resources on the part of management, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that the Company will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. Any inability of the Company to successfully integrate the operations of Corus and Shaw Media, including, but not limited to, information technology and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of Corus.

Unexpected costs or liabilities related to the acquisition

Although the Company has conducted what it believes to be a prudent and thorough level of investigation in connection with the Acquisition and has negotiated indemnities with Shaw in the Acquisition Agreement to cover certain potential future liabilities, such indemnities may be limited and an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, Shaw Media. There may be liabilities that the Company failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the Acquisition Agreement, and the Company may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the Acquisition Agreement. The discovery of any material liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Company's business, financial condition or future prospects.

While the Company has estimated these potential liabilities for the purposes of making its decision to enter into the Acquisition Agreement, there can be no assurance that any resulting liability will not exceed the Company's estimates. The amount of such liability could have a material adverse effect on the Company's financial position. Furthermore, following the Acquisition, the Company may discover that it has acquired substantial undisclosed liabilities.

In addition, Corus may be unable to retain Shaw Media's customers or employees following the Acquisition. The continuing and collaborative efforts of Shaw Media's senior management and employees are important to its success and its business would be harmed if it were to lose their services. The existence of undisclosed liabilities and the Company's inability to retain Shaw Media's customers or employees could have an adverse impact on the Company's business, financial condition and results of operations.

Leverage risk

The Company's leverage will increase as a result of the Acquisition. The Company will, initially following the Acquisition, have higher leverage than its stated leverage target of 3.0 to 3.5 times. The Company's maintenance of increased levels of debt could adversely affect its financial condition and results of operations. In addition, increased debt service payments could adversely impact cash flows from operating activities thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, future business opportunities, and other general corporate purposes, as well as limiting the Company's ability to pay dividends at current levels.

Assumed pensions and other employee benefit obligations

Economic fluctuations could adversely impact the funding and expenses associated with assumed pensions and other employee benefit obligations and there can be no assurance that these pension and

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employee benefit obligations will not increase materially in the future, thereby negatively impacting the Company's income or cash flow.

Risks related to the Shaw Media business

News

Global News' primary directive is to report accurate, balanced, timely and comprehensive news and information in the public interest. Independence is a fundamental Global News value and, accordingly, Global News will resist attempts at censorship or pressure to alter news content, real or apparent. Integrity, fairness and transparency are at the foundation of Shaw Media's newsgathering process, and Global News is committed to reporting news without distortion or misrepresentation.

In support of this directive, Shaw Media has promulgated and has in effect a comprehensive set of Journalistic Principles and Practices setting out guidelines and standards for all news staff in their dealings with frequently asked editorial, ethical and legal and professional conduct questions. These Journalistic Principles and Practices adhere closely to, amongst other things, the Radio Television Digital News Association Canada's Code of Ethics and Professional Standards, the Canadian Association of Broadcasters' Code of Ethics and the Canadian Association of Journalists Ethics Guidelines.

Due to the unique nature of news-gathering and news-reporting, a number of risks may arise in the ordinary course of Global News investigation and reporting on the activities of individuals, corporations and governments. These include legal and ethical risks such as claims in respect of defamation, invasion of privacy, misrepresentation, and infringement of other rights (for example, Intellectual Property Rights and Piracy). A significant part of news-gathering and reporting arises in the context of court proceedings. Certain mandatory publication bans apply to criminal proceedings and, in addition, a court may impose a discretionary publication ban or sealing order in respect of the proceedings or materials used or related to investigations leading to a criminal charge. Where Global News has not otherwise successfully overturned or reduced the scope of a publication ban or sealing order through proper legal process, its policy is to fully comply with court-ordered publication bans and sealing orders. However, because there is no formalized publication ban notice system in place in most provinces, and because publication bans can often be subject to different interpretations, there is no assurance that Global News will not inadvertently breach a publication ban or sealing order, and, if that happens, there is a risk that Global News may be held to be in contempt of court. Similarly, Global News' policy is to resist production orders, warrants and subpoenas for its footage and other materials through proper legal process but, where this is not successful, Global News will comply with production orders, warrants and subpoenas of proper scope and detail.

Due to Global News' strong commitment to editorial independence, certain news-reporting may pose a risk to Shaw Media advertising revenue streams if advertisers are displeased in their portrayal in news programming and, as a result, choose to reduce or withdraw entirely, their advertising business with Shaw Media.

The deliberate deployment of journalists to dangerous and hostile environments may expose employees and Shaw Media to risks related to kidnapping, injury and death, as well as costs related to medical care and emergency repatriation of employees.

The Journalistic Principles and Practices articulate appropriate ways to deal with the above risks and describes proper protocol when such risks arise. In addition, news staff are provided with regular

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training to mitigate these risks and Shaw Media carries customary and appropriate insurance to further mitigate risks.

Digital transition and repurposing of spectrum

In July 2009, the CRTC identified the major markets where it expected conventional television broadcasters to convert their full-power OTA analog transmitters to digital transmitters by August 31, 2011. The conversion from analog to digital liberated spectrum for government auction to mobile providers. Shaw Media completed the digital transition in all mandatory markets with a view to completion in 2016, a condition of the CRTC's approval of the Canwest Global acquisition. On December 18, 2014, Industry Canada (now known as Innovation, Science and Economic Development Canada) launched a consultation to consider repurposing some of the 600 MHz spectrum band currently used by Shaw Media's conventional television stations and other broadcasters for OTA transmission. At the same time, Industry Canada introduced a moratorium on applications to modify existing television broadcasting certificates and on any new licensing in the spectrum band pending the consultations and related processes. Shaw Media has, accordingly, requested from the CRTC an extension of the time line to complete the full slate of analog to digital conversions.

On August 14, 2015, Industry Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band for commercial mobile use and to jointly establish a new allotment plan in collaboration with the United States. Accommodating this change will require Shaw Media to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. Industry Canada (now known as Innovation, Science and Economic Development Canada) has not yet decided whether broadcasters will be reimbursed for their costs of facilitating this transition, stating that this decision is the first step in a multi-year repurposing process and that consideration of compensation to broadcasters was not a part of this phase.

Unionized labour

Approximately 50% of Shaw Media's employees are employed under one of five collective agreements represented by three unions. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions. If work disruptions occur, it is possible large numbers of employees may be involved and that Shaw Media's business may be disrupted causing negative effect to Shaw Media's operations and/or financial results.

FINANCIAL POSITION

Total assets at February 29, 2016 and August 31, 2015 were \$3.1 billion and \$2.6 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2015.

On February 29, 2016, the Company ceased its Pay TV business. Accordingly, certain assets and liabilities that were reclassified on November 19, 2015 as held for sale as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* were written down (refer to note 16 of the Company's consolidated interim financial statements for the period ended February 29, 2016 for further discussion).

Current assets at February 29, 2016 were \$572.5 million, up \$344.2 million from August 31, 2015.

Cash and cash equivalents increased by \$18.0 million. Refer to the discussion of cash flows in the next section.

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As part of the financing of the Acquisition of Shaw Media, the Company recorded cash held in escrow of \$280.3 million in connection with the subscription receipts from a combination of a public equity offering and a private placement of the Class B shares issued on April 1, 2016. (Further discussion is contained in note 17 of the Company's consolidated interim financial statements for the period ended February 29, 2016.)

Accounts receivable increased \$53.5 million from year end. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher in the first and third quarters and lower in the second and fourth quarters as a result of the broadcast revenue cycle. Accounts receivable increased from year end as a result of amounts still to be received on the disposition of certain of the Pay TV assets and liabilities as well as the timing of collection on distribution and other revenues. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable decreased \$0.8 million as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Intangibles, investments and other assets increased \$103.1 million during the year, primarily as a result of additions to intangibles including trade marks and exclusive rights associated with new licensing agreements that commenced in fiscal 2016, additional investments in Venture funds, offset by amortization of intangibles and disposal of certain Pay TV intangible assets of \$2.7 million.

Property, plant and equipment decreased \$3.9 million during the year, as a result of depreciation expense exceeding additions for the first six months of fiscal 2016.

Program and film rights increased \$126.8 million during the year, as additions of acquired rights of \$293.8 million were offset by disposal of certain Pay TV assets of \$68.7 million and amortization of \$98.3 million during the first six months of fiscal 2016.

Film investments increased \$10.9 million, as film spending (net of tax credit accruals and impairment recovery) of \$18.5 million were offset by film amortization of \$7.6 million.

Broadcast licenses decreased \$50.4 million, while goodwill decreased \$52.2 million from August 31, 2015 balances, principally as a result of ceasing operations of the Pay TV business, offset by additions related to the acquisition of Fast File Media Services Inc.

Accounts payable and accrued liabilities increased \$30.5 million from year-end, primarily as a result of higher accrued liabilities, offset by lower accruals for program rights and the disposal of \$44.5 million of liabilities associated with ceasing operations of the Pay TV business. Further discussion is provided in note 16 to the Company's interim consolidated financial statements for the period ended February 29, 2016. The increase in accrued liabilities relates primarily to the short-term portion of new licensing agreements that commenced in fiscal 2016.

Provisions have decreased \$2.9 million as a result of payments exceeding accruals made in the first six months of fiscal 2016 related to restructuring.

Long-term debt at February 29, 2016 was \$63.0 million, down \$588.0 million compared to \$651.0 million at August 31, 2015. During fiscal 2016, the Company paid down bank loans by \$38.7 million and incurred amortization of deferred financing charges of \$1.0 million. On April 1, 2016, notice was given to the holders of the \$550.0 million, 4.25% senior unsecured guaranteed notes (the "Notes"), that the Notes would be redeemed on April 18, 2016. As a result of the redemption notice, the Notes were

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classified as current. In addition, the \$150.0 million Term Facility, which matured on February 3, 2016, was repaid in full.

Other long-term liabilities increased by \$241.9 million from year-end, primarily from increases in long-term program rights payable and intangible liabilities associated with new licensing agreements that commenced in fiscal 2016, slightly offset by decreases in long-term employee obligations, CRTC benefit obligations and the disposal of certain other long-term liabilities related to ceasing operations of the Pay TV business.

The Company recorded liabilities for subscription receipts of \$280.3 million in connection with the Class B shares underlying the subscription receipts which were issued on April 1, 2016. Further discussion is contained in note 17 of the Company's consolidated interim financial statements for the period ended February 29, 2016.

Share capital increased \$9.7 million from the issuance of shares from treasury under the Company's dividend reinvestment plan.

Contributed surplus increased \$0.5 million due to share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position increased by \$18.0 million over the six months ended February 29, 2016. Free cash flow for the six months ended February 29, 2016 was \$58.8 million, compared to free cash flow of \$92.6 million in the prior year. In the prior year, free cash flow benefited from the proceeds associated with the disposition of GoPro shares by Steamboat Ventures of \$18.5 million. In addition, lower free cash flow in the current year reflects lower cash from operating activities compared to the prior year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash provided by operating activities in the six months ended February 29, 2016 was \$70.4 million, compared to \$87.7 million last year. The decrease of \$17.3 million arises from lower net income from operations before non-cash items of \$20.4 million, higher payments on program and film rights of \$16.0 million, offset by lower cash outflows from working capital of \$14.1 million and lower additions to film investments of \$5.2 million.

Cash provided by investing activities in the six months ended February 29, 2016 was \$187.7 million, compared to cash used of \$12.1 million in the prior year. The current year includes consideration of \$211.0 million from Bell relating to the Pay TV business less transaction costs of \$1.5 million (refer to note 16 of the interim consolidated financial statements for the period ended February 29, 2016), cash proceeds from a venture fund distribution of \$1.7 million, offset by net cash outflows for intangibles investments and other assets of \$7.2 million, additions to property, plant and equipment of \$6.9 million, business combinations of \$2.5 million, business acquisition costs of \$2.7 million, and CRTC benefit payments of \$4.3 million. The prior year includes cash proceeds from disposition of an investment of \$18.5 million, offset by net cash outflows for intangibles, investments and other assets of \$17.6 million, additions to property, plant and equipment of \$7.8 million and CRTC benefits payments of \$5.2 million.

Cash provided by financing activities in the six months ended February 29, 2016 was \$40.2 million, compared to cash used of \$48.9 million in the prior year. In the current year, the Company raised

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\$280.3 million by issuing subscription receipts, paid down bank debt by \$188.7 million, paid dividends of \$45.3 million, incurred financing fees of \$3.4 million, and made capital lease payments of \$2.7 million. In the prior year, the Company paid down bank debt by \$9.9 million, paid dividends of \$40.5 million, made capital lease payments of \$2.7 million and received \$4.8 million from issuance of shares under the stock option plan.

Liquidity

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

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

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

As at February 29, 2016, the Company had available approximately \$430.0 million under the \$500.0 million revolving term credit facility and was in compliance with all loan covenants. As at February 29, 2016, the Company had a cash balance of \$55.4 million.

In connection with the closing of the acquisition of Shaw Media Inc. on April 1, 2016, the Company established syndicated senior secured credit facilities in the amount of a \$2.3 billion term loan (the "Term Facility"), all of which was drawn at closing, and a \$300.0 million revolving credit facility (the "Revolving Credit Facility") which was not drawn on as part of the closing. The Term Facility and Revolving Credit Facility replace the Company's previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

For further details on the credit facilities established on April 1, 2016, refer to note 17 of the interim condensed consolidated financial statements.

With the changes to the credit facilities on April 1, 2016, 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 29, 2016, net debt was \$557.6 million, down from \$763.6 million at August 31, 2015. Net debt to segment profit at February 29, 2016 was 1.9 times compared to 2.8 times at August 31, 2015. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by

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the Company for the most recent four quarters. Further discussion on this is contained in the Key Performance Indicators section.

Total capitalization

At February 29, 2016, total capitalization was \$1,879.1 million, a decrease of \$104.4 million from August 31, 2015. The decrease results from lower net income and debt levels.

On April 1, 2016, the Company completed the acquisition of Shaw Media Inc. from Shaw Communications Inc. (“Shaw”) pursuant to the terms of the definitive share purchase agreement dated January 13, 2016 (the “Acquisition Agreement”). Under the terms of the Acquisition Agreement, the aggregate purchase price paid by Corus was \$2.65 billion, subject to certain post-closing adjustments, satisfied by the Company through a combination of: a) \$1.85 billion of cash consideration; and b) the issuance by the Company to Shaw of 71,364,853 Class B Non-Voting Shares (the “Class B Shares”) at an agreed value of \$11.21 per share for an aggregate value of \$800.0 million. For accounting purposes, these Class B shares are valued at \$12.24 per share, the closing price of the Company’s stock on April 1, 2016, for an aggregate value of \$873.5 million.

The cash consideration for the Acquisition and the related re-financing of existing indebtedness of the Company and the redemption of the 4.25% senior unsecured guaranteed notes due February 11, 2020 (the “Notes”), of which \$550.0 million principal (plus accrued and unpaid interest) was outstanding, was financed through a combination of the debt from the Term Facility (as defined below) and equity from the net proceeds of the Equity Offering (as defined below) and the Concurrent Private Placement (as defined below).

Equity Offering and Concurrent Private Placement

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the “Equity Offering”) of 25,400,000 subscription receipts of Corus (the “Subscription Receipts”) at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3,810,000 Subscription Receipts at a price of \$9.00 per Subscription Receipt, for additional gross proceeds of approximately \$34.3 million, representing total gross proceeds from the Equity Offering of \$262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3,560,000 Subscription Receipts on a private placement basis (the “Concurrent Private Placement”) from Corus at a price of \$9.00 per Subscription Receipt, for gross proceeds of \$32.0 million.

The Class B non-voting shares (“Class B Shares”) underlying the Subscription Receipts were issued on April 1, 2016 in connection with the completion of the Acquisition and the net proceeds from the Equity Offering and the Concurrent Private Placement (including accrued interest thereon) were applied by Corus to partially fund the cash consideration for the Acquisition.

Credit Facilities

In connection with the closing of the Acquisition, Corus established syndicated senior secured credit facilities in the aggregate amount of \$2.6 billion, consisting of \$2.3 billion in term loans (the “Term Facility”, all of which was drawn at closing, and a \$300.0 million revolving credit facility (the “Revolving Facility”) which was not drawn on as part of closing. The Term Facility and Revolving Facility replace Corus’ previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

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At the time it agreed to enter into the Acquisition, Corus obtained commitments from a Canadian chartered bank for: (i) an aggregate of \$2.3 billion in new credit facilities; and (ii) a \$300.0 million non-revolving, non-amortizing unsecured term facility (the “Debt Bridge Facility”) which Corus intended to replace or repay with a proposed offering of senior unsecured notes. Prior to the closing of the Acquisition, Corus determined not to proceed with the offering of senior unsecured notes, and accordingly increased the size of the Term Facility by \$300.0 million and cancelled the Debt Bridge Facility.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the amount of \$0.8 billion and having a term of three years, and the second tranche being in the amount of \$1.5 billion and having a term of five years. The Term Facility was available in a single Canadian dollar drawdown, and net proceeds from the Term Facility after deducting related fees and expenses were used (together with the net proceeds from the Equity Offering and the Concurrent Private Placement) to finance the Acquisition, to prepay the amount outstanding under its existing credit facilities and to redeem the Senior Notes.

Advances under the Term Facility may be outstanding in the form of either prime loans or bankers’ acceptance and bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus’ total debt to cash flow ratio.

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers’ acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Credit Facility

The \$300.0 million Revolving Credit Facility has a term of four years. The Revolving Credit Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Credit Facility will be payable in full at maturity. The Revolving Credit Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers’ acceptances may only be paid on their maturity.

Advances under the Revolving Credit Facility may be drawn in Canadian dollars as either a prime rate loan, bankers’ acceptance or Canadian dollar denominated letters of credit (to a sub-limit of \$50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Credit Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus’ total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Credit Facility.

The full text of the Amended Credit Agreement governing the Term Facility and the Revolving Credit Facility is filed on SEDAR at www.sedar.com.

CORUS ENTERTAINMENT INC.
Second Quarter 2016 Report to Shareholders

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

On April 1, 2016, the Company announced that it will redeem all of its outstanding \$550.0 million 4.25% senior unsecured guaranteed notes due 2020 (the “2020 Notes”) on April 18, 2016. The redemption will include accrued and unpaid interest on the 2020 Notes up to, but excluding the redemption date and a redemption premium totaling approximately \$58.0 million. In addition, the Company will write-off associated unamortized financing charges of approximately \$4.9 million.

Off-Balance Sheet arrangements and derivative financial instruments

In the second quarter of fiscal 2016, the Company’s term loan facility of \$150.0 million was repaid and the Canadian interest rate swap agreement that fixed the interest rate on this facility was concluded. As a result, the Company had no derivative instruments outstanding as at February 29, 2016.

Outstanding Share Data

As at March 31, 2016, 3,425,792 Class A Voting Shares and 84,875,207 Class B Non-Voting Shares were issued and outstanding.

On April 1, 2016, 104,134,853 Class B Non-Voting Shares were issued as a result of the acquisition of Shaw Media. Further information on this acquisition is provided in note 17 to the interim condensed consolidated financial statements as at and for the period ended February 29, 2016.

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 29, 2016 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, 2015, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company’s consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company’s core operating results, and not used in management’s evaluation of the business segment’s performance, such as: goodwill and broadcast license impairment; significant intangible asset impairments; debt refinancing; non-cash gains or losses and certain other income and expenses (note 12 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 14 to the condensed interim consolidated financial statements.

CORUS ENTERTAINMENT INC.
Second Quarter 2016 Report to Shareholders

Segment profit does not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and is not necessarily comparable to similar measures presented by other companies.

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

Free cash flow

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

| [thousands of Canadian dollars] | Three months ended February 29, 2016 | February 28, 2015 | Six months ended February 29, 2016 | February 28, 2015 |
|--|--|----------------------|--|----------------------|
| Cash provided by (used in): | | | | |
| Operating activities | 31,488 | 50,783 | 70,447 | 87,670 |
| Investing activities | 175,063 | 6,397 | 187,677 | (12,098) |
| | 206,551 | 57,180 | 258,124 | 75,572 |
| Add back: Cash used for business combinations and strategic investments ⁽¹⁾ | 6,107 | 2,062 | 10,171 | 17,052 |
| Net proceeds from disposition | (188,374) | — | (209,474) | — |
| Free cash flow | 24,284 | 59,242 | 58,821 | 92,624 |

⁽¹⁾ Strategic investments are comprised of investments in venture funds and associated companies.

In the prior year, free cash flow for the three and six months periods benefited from the proceeds associated with the disposition of GoPro shares by Steamboat Ventures of \$18.5 million. Free cash flow in the current year reflects lower cash from operating activities compared to the prior year.

Adjusted net income and adjusted basic earnings per share

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company’s performance. Management uses adjusted net income and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income and adjusted basic earnings per share are defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; amortization not taken on assets held for disposal; costs of debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes that adjusted net income and adjusted basic earnings per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income

CORUS ENTERTAINMENT INC.
Second Quarter 2016 Report to Shareholders

and adjusted basic earnings per share do not have any standardized meanings prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Adjusted net income and adjusted basic earnings per share should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

Adjusted net income and adjusted basic earnings per share reconciliation

| (thousands of Canadian dollars, except per share amounts) | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Net income (loss) attributable to shareholders | 102,232 | (86,786) | 143,552 | (34,880) |
| Adjustments, net of tax: | | | | |
| Gain on disposal of Pay TV disposal group | (76,631) | — | (76,631) | — |
| Amortization of disposed programming assets | (10,426) | — | (11,455) | — |
| Impact of business acquisition, integration and restructuring costs | 5,769 | 6,017 | 7,962 | 6,017 |
| Broadcast license and goodwill impairment charge | — | 123,984 | — | 123,984 |
| Gain from disposition of investment | — | (14,716) | — | (14,716) |
| Adjusted net income attributable to shareholders | 20,944 | 28,499 | 63,428 | 80,405 |
| Basic earnings (losses) per share | \$1.17 | (\$1.01) | \$1.64 | \$ (0.41) |
| Adjustments, net of tax: | | | | |
| Gain on disposal of Pay TV disposal group | (0.87) | — | (0.87) | — |
| Amortization of disposed programming assets | (0.12) | — | (0.13) | — |
| Impact of business acquisition, integration and restructuring costs | 0.06 | 0.07 | 0.08 | 0.07 |
| Broadcast license and goodwill impairment charge | — | 1.44 | — | 1.44 |
| Gain from disposition of investment | — | (0.17) | — | (0.17) |
| Adjusted basic earnings per share | \$0.24 | \$0.33 | \$0.72 | \$0.93 |

Net Debt and 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 29, 2016 | as at August 31, 2015 |
|---------------------------------|----------------------------|--------------------------|
| Total bank debt and notes | 613,037 | 801,002 |
| Cash and cash equivalents | (55,449) | (37,422) |
| Net debt | 557,588 | 763,580 |

CORUS ENTERTAINMENT INC.
Second Quarter 2016 Report to Shareholders

| (thousands of Canadian dollars) | As at February 29, 2016 | As at August 31, 2015 |
|---|------------------------------------|--------------------------|
| Net debt (numerator) | 557,588 | 763,580 |
| Segment profit (denominator) ⁽¹⁾ | 299,649 | 277,187 |
| Net debt to segment profit | 1.9 | 2.8 |

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

Total bank debt and notes decreased by \$189.0 million. The Company used the cash proceeds received to discontinue operations of the Company’s Pay TV business to repay the \$150.0 million Term Facility and to pay down \$39.0 million on the Revolving Facility. Segment profit for the most recent four quarters ending February 29, 2016, includes the operating results of the Pay TV business but excludes amortization of disposed programming assets of \$15.6 million (refer to note 16 of the Company’s interim condensed consolidated financial statements for further discussion).

As discussed in the Liquidity and Capital Resources section, total debt and therefore the net debt amount will increase significantly as of April 1, 2016 as a result of refinancing associated with the acquisition of Shaw Media.

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 the Company is included in note 3 in the Company’s August 31, 2015 consolidated financial statements and note 3 in the Company’s February 29, 2016 interim condensed consolidated financial statements.

Consolidated Financial Statements and Notes

CORUS ENTERTAINMENT INC. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| [unaudited - in thousands of Canadian dollars] | As at February 29, 2016 | As at August 31, 2015 |
|--|----------------------------|--------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 55,449 | 37,422 |
| Cash held in escrow (note 17) | 280,346 | — |
| Accounts receivable | 218,140 | 164,600 |
| Income taxes recoverable | — | 12,439 |
| Prepaid expenses and other | 18,544 | 13,855 |
| Total current assets | 572,479 | 228,316 |
| Tax credits receivable | 25,121 | 25,958 |
| Intangibles, investments and other assets (note 4) | 163,690 | 60,589 |
| Property, plant and equipment | 135,230 | 139,140 |
| Program and film rights (note 5) | 442,717 | 315,899 |
| Film investments (note 6) | 47,458 | 36,549 |
| Broadcast licenses (note 7) | 906,590 | 956,984 |
| Goodwill (note 7) | 775,687 | 827,859 |
| Deferred tax assets | 40,272 | 40,815 |
| | 3,109,244 | 2,632,109 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | 241,501 | 210,971 |
| Current portion of long-term debt (notes 8 and 17) | 550,000 | 150,000 |
| Income taxes payable | 25,876 | — |
| Provisions | 5,983 | 8,930 |
| Total current liabilities | 823,360 | 369,901 |
| Long-term debt (notes 8 and 17) | 63,037 | 651,002 |
| Other long-term liabilities | 380,764 | 138,833 |
| Liabilities for subscription receipts (note 17) | 280,346 | — |
| Deferred tax liabilities | 240,194 | 252,462 |
| Total liabilities | 1,787,701 | 1,412,198 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 9) | 1,004,312 | 994,571 |
| Contributed surplus | 9,927 | 9,471 |
| Retained earnings | 284,700 | 191,182 |
| Accumulated other comprehensive income | 8,014 | 7,353 |
| Total equity attributable to shareholders | 1,306,953 | 1,202,577 |
| Equity attributable to non-controlling interest | 14,590 | 17,334 |
| Total shareholders' equity | 1,321,543 | 1,219,911 |
| | 3,109,244 | 2,632,109 |

Commitments, contingencies and guarantees (note 17)
See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

| | Three months ended | | Six months ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | February 29, | February 28, | February 29, | February 28, |
| [unaudited - in thousands of Canadian dollars except per share amounts] | 2016 | 2015 | 2016 | 2015 |
| Revenues | 197,705 | 191,484 | 426,023 | 418,595 |
| Direct cost of sales, general and administrative expenses (note 10) | 118,126 | 131,765 | 250,566 | 265,600 |
| Depreciation and amortization | 10,606 | 6,089 | 21,608 | 11,863 |
| Interest expense (note 11) | 18,487 | 12,746 | 37,377 | 25,427 |
| Broadcast license and goodwill impairment | — | 130,000 | — | 130,000 |
| Business acquisition, integration and restructuring costs | 6,014 | 8,002 | 8,375 | 8,002 |
| Gain on disposition (note 16) | (86,151) | — | (86,151) | — |
| Other (income) expense, net (note 12) | 5,129 | (15,902) | 9,054 | (14,096) |
| Income (loss) before income taxes | 125,494 | (81,216) | 185,194 | (8,201) |
| Income tax expense (note 13) | 22,360 | 4,643 | 39,237 | 24,476 |
| Net income (loss) for the period | 103,134 | (85,859) | 145,957 | (32,677) |
| Net income (loss) attributable to: | | | | |
| Shareholders | 102,232 | (86,786) | 143,552 | (34,880) |
| Non-controlling interest | 902 | 927 | 2,405 | 2,203 |
| | 103,134 | (85,859) | 145,957 | (32,677) |
| Earnings (loss) per share attributable to shareholders: | | | | |
| Basic | \$ 1.17 | \$ (1.01) | \$ 1.64 | \$ (0.41) |
| Diluted | \$ 1.17 | \$ (1.01) | \$ 1.63 | \$ (0.41) |
| Net income (loss) for the period | 103,134 | (85,859) | 145,957 | (32,677) |
| Other comprehensive income (loss), net of tax: | | | | |
| Items that may be reclassified subsequently to income: | | | | |
| Unrealized foreign currency translation adjustment | 167 | 2,437 | 466 | 3,667 |
| Unrealized change in fair value of available-for-sale investments | (8) | 170 | (124) | (140) |
| Realized change in fair value of cash flow hedges | 105 | (416) | 319 | (454) |
| | 264 | 2,191 | 661 | 3,073 |
| Comprehensive income (loss) for the period | 103,398 | (83,668) | 146,618 | (29,604) |
| Comprehensive income (loss) attributable to: | | | | |
| Shareholders | 102,496 | (84,595) | 144,213 | (31,807) |
| Non-controlling interest | 902 | 927 | 2,405 | 2,203 |
| | 103,398 | (83,668) | 146,618 | (29,604) |

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| [unaudited – in thousands of Canadian dollars] | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income | Total equity attributable to shareholders | Non- controlling interest | Total equity |
|---|------------------|------------------------|----------------------|---|---|---------------------------------|------------------|
| At August 31, 2015 | 994,571 | 9,471 | 191,182 | 7,353 | 1,202,577 | 17,334 | 1,219,911 |
| Comprehensive income | — | — | 143,552 | 661 | 144,213 | 2,405 | 146,618 |
| Dividends declared | — | — | (50,034) | — | (50,034) | (5,149) | (55,183) |
| Issuance of shares under dividend reinvestment plan | 9,741 | — | — | — | 9,741 | — | 9,741 |
| Share-based compensation expense | — | 456 | — | — | 456 | — | 456 |
| At February 29, 2016 | 1,004,312 | 9,927 | 284,700 | 8,014 | 1,306,953 | 14,590 | 1,321,543 |
| At August 31, 2014 | 967,330 | 8,385 | 313,361 | 3,767 | 1,292,843 | 17,283 | 1,310,126 |
| Comprehensive income (loss) | — | — | (34,880) | 3,073 | (31,807) | 2,203 | (29,604) |
| Dividends declared | — | — | (48,113) | — | (48,113) | (4,553) | (52,666) |
| Issuance of shares under stock option plan | 5,781 | (945) | — | — | 4,836 | — | 4,836 |
| Issuance of shares under dividend reinvestment plan | 11,347 | — | — | — | 11,347 | — | 11,347 |
| Share-based compensation expense | — | 1,466 | — | — | 1,466 | — | 1,466 |
| At February 28, 2015 | 984,458 | 8,906 | 230,368 | 6,840 | 1,230,572 | 14,933 | 1,245,505 |

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| [unaudited – in thousands of Canadian dollars] | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | 103,134 | (85,859) | 145,957 | (32,677) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | | |
| Depreciation and amortization | 10,606 | 6,089 | 21,608 | 11,863 |
| Broadcast license and goodwill impairment | — | 130,000 | — | 130,000 |
| Amortization of program and film rights | 43,990 | 53,366 | 98,253 | 107,703 |
| Amortization of film investments | 4,213 | 6,692 | 7,544 | 13,613 |
| Deferred income taxes | (13,845) | (3,864) | (11,907) | (1,017) |
| Share-based compensation expense | 189 | 937 | 456 | 1,466 |
| Imputed interest | 10,780 | 3,481 | 21,231 | 6,977 |
| Gain on disposition of investment | — | (16,964) | (533) | (16,964) |
| Gain on disposition | (86,151) | — | (86,151) | — |
| Business acquisition costs paid | 2,718 | — | 2,718 | — |
| Other | 3,031 | 1,406 | 3,229 | 1,888 |
| Net change in non-cash working capital balances related to operations | 29,062 | 11,594 | (763) | (14,855) |
| Payment of program and film rights | (67,385) | (46,064) | (112,514) | (96,481) |
| Net additions to film investments | (8,854) | (10,031) | (18,681) | (23,846) |
| Cash provided by operating activities | 31,488 | 50,783 | 70,447 | 87,670 |
| INVESTING ACTIVITIES | | | | |
| Additions to property, plant and equipment | (4,153) | (4,931) | (6,856) | (7,754) |
| Net proceeds from disposition (note 16) | 188,374 | — | 209,474 | — |
| Business combinations (note 16) | — | — | (2,476) | — |
| Business acquisition costs paid | (2,718) | — | (2,718) | — |
| Proceeds from disposition of investment | — | 18,490 | 1,684 | 18,490 |
| Net cash flows for intangibles, investments and other assets | (4,488) | (2,425) | (7,151) | (17,586) |
| Other | (1,952) | (4,737) | (4,280) | (5,248) |
| Cash provided by (used in) investing activities | 175,063 | 6,397 | 187,677 | (12,098) |
| FINANCING ACTIVITIES | | | | |
| Decrease in bank loans | (168,735) | (29,688) | (188,734) | (9,897) |
| Financing fees | (3,428) | (750) | (3,428) | (750) |
| Issuance of shares under stock option plan | — | 3,417 | — | 4,836 |
| Dividends paid | (18,818) | (17,982) | (40,116) | (35,901) |
| Dividends paid to non-controlling interest | (1,000) | (419) | (5,149) | (4,553) |
| Issue of subscription receipts (note 17) | 280,346 | — | 280,346 | — |
| Other | (1,291) | (1,385) | (2,670) | (2,679) |
| Cash provided by (used in) financing activities | 87,074 | (46,807) | 40,249 | (48,944) |
| Net change in cash and cash equivalents during the period | 293,625 | 10,373 | 298,373 | 26,628 |
| Less: cash held in escrow | (280,346) | — | (280,346) | — |
| Cash and cash equivalents, beginning of the period | 42,170 | 27,840 | 37,422 | 11,585 |
| Cash and cash equivalents, end of the period | 55,449 | 38,213 | 55,449 | 38,213 |

Supplemental cash flow disclosures (note 15)
See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 29, 2016

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

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 specialty, pay and conventional television networks; the operation of radio stations; 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. The Company discontinued its Pay Television services on February 29, 2016.

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, 2015, 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, 2015, which are available at www.sedar.com and on the Company’s website at www.corusent.com.

These interim condensed consolidated statements of the Company for the three and six months ended February 29, 2016 were authorized for issue by the Company’s Audit Committee on April 12, 2016.

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.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 29, 2016

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

Pending accounting changes

IFRS 9 - Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* which reflects all phases of the financial instrument project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for recognition and measurement impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which replaces IAS 18 - *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, which will be September 1, 2018 for Corus. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, which will be September 1, 2016 for Corus and is to be applied prospectively. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 – Leases

On January 13, 2016, the IASB published a new standard, IFRS 16 – *Leases*. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

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

February 29, 2016

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

4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

| | Intangibles | Investments in associates | Other assets | Total |
|------------------------------------|----------------|------------------------------|---------------|----------------|
| Balance - August 31, 2015 | 17,631 | 16,172 | 26,786 | 60,589 |
| Increase (decrease) in investment | 117,096 | (3,632) | 3,549 | 117,013 |
| Disposals (note 16) | (2,662) | — | — | (2,662) |
| Amortization of intangibles | (11,188) | — | — | (11,188) |
| Fair value adjustment | — | — | (62) | (62) |
| Balance - February 29, 2016 | 120,877 | 12,540 | 30,273 | 163,690 |

5. PROGRAM AND FILM RIGHTS

| | |
|------------------------------------|----------------|
| Balance - August 31, 2015 | 315,899 |
| Net additions | 293,754 |
| Disposals (note 16) | (68,683) |
| Amortization | (98,253) |
| Balance - February 29, 2016 | 442,717 |

6. FILM INVESTMENTS

| | |
|------------------------------------|---------------|
| Balance - August 31, 2015 | 36,549 |
| Impairment recovery (note 12) | 754 |
| Net additions | 17,699 |
| Amortization | (7,544) |
| Balance - February 29, 2016 | 47,458 |

7. BROADCAST LICENSES AND GOODWILL

The changes in the book value of broadcast licenses for the period ended February 29, 2016, were as follows:

| | Total |
|------------------------------------|----------------|
| Balance - August 31, 2015 | 956,984 |
| Disposals (note 16) | (50,394) |
| Balance - February 29, 2016 | 906,590 |

The changes in the book value of goodwill for the period ended February 29, 2016, were as follows:

| | Total |
|------------------------------------|----------------|
| Balance - August 31, 2015 | 827,859 |
| Acquisitions (note 16) | 2,339 |
| Disposals (note 16) | (54,511) |
| Balance - February 29, 2016 | 775,687 |

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8. LONG-TERM DEBT

| | February 29, 2016 | August 31, 2015 |
|---|------------------------------|--------------------|
| Bank loans | 69,984 | 258,968 |
| Senior unsecured guaranteed notes | 550,000 | 550,000 |
| Unamortized financing fees | (6,947) | (7,966) |
| | 613,037 | 801,002 |
| Less: current portion of notes and bank loans | (550,000) | (150,000) |
| | 63,037 | 651,002 |

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 29, 2016, the weighted average interest rate on the outstanding bank loans and senior unsecured guaranteed notes ("Notes") was 4.1% (2015 – 3.9%). Interest on the bank loans and Notes averaged 4.3% for the second quarter and year-to-date for fiscal 2016 (2015 – 4.1% for the same comparable periods).

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 29, 2016.

A syndicate of lenders has provided Corus with a senior secured revolving facility (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated February 3, 2014 as further amended February 25, 2015 (the "facility").

On February 25, 2015, the Company's credit agreement was amended to extend the maturity date of the Revolving Facility which consists of a committed credit of \$500,000 from February 11, 2017 to February 25, 2019. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the facility. As at February 29, 2016, approximately \$70,000 of the Revolving Facility was utilized. The \$150,000 Term Facility matured February 3, 2016 and was repaid in full on that date.

On February 3, 2014, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on the \$150,000 Term Facility at 1.375%, plus an applicable margin, to February 3, 2016. The Company has assessed that there was no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI. This hedge was wound up on February 3, 2016, concurrent with the repayment of the \$150,000 Term Facility repayment and the related gains were realized in comprehensive income.

The Company's \$550,000 principal amount of 4.25% Notes are due on February 11, 2020. Refer to note 17 for discussion of changes to the Company's credit facilities to finance the acquisition of Shaw Media Inc. and its redemption notification to the holders of the Notes that occurred on April 1, 2016.

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9. 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, 2015 | 3,425,792 | 26,529 | 83,754,786 | 968,042 | 994,571 |
| Issuance of shares under dividend reinvestment plan | — | — | 930,773 | 9,741 | 9,741 |
| Balance – February 29, 2016 | 3,425,792 | 26,529 | 84,685,559 | 977,783 | 1,004,312 |

Earnings (loss) per share

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

| | For the three months ended | | For the six months ended | |
|--|----------------------------|-------------------|--------------------------|-------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Net income (loss) attributable to shareholders (numerator) | 102,232 | (86,786) | 143,552 | (34,880) |
| Weighted average number of shares outstanding (denominator) | | | | |
| Weighted average number of shares outstanding - basic | 87,688 | 86,194 | 87,784 | 86,053 |
| Effect of dilutive securities | — | 13 | 117 | 50 |
| Weighted average number of shares outstanding - diluted | 87,688 | 86,207 | 87,901 | 86,103 |

The calculation of diluted earnings (loss) per share for the second quarter and year-to-date of fiscal 2016 excluded 3,710 and 2,561 (2015 – 1,765 and 1,146) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

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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, 2015 is presented as follows:

| | Number of options (#) | Weighted average exercise price per share (\$) |
|--|-----------------------|---|
| Outstanding - August 31, 2015 | 2,560,873 | 21.97 |
| Granted | 1,149,400 | 10.38 |
| Outstanding - February 29, 2016 | 3,710,273 | 18.16 |

| Granted in the second quarter 2016 and vesting in: | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|
| Fair value | \$ 0.24 | \$ 0.36 | \$ 0.25 | \$ 0.28 |
| Risk-free interest rate | 0.9% | 0.9% | 0.9% | 1.0% |
| Expected dividend yield | 10.9% | 10.9% | 10.9% | 10.9% |
| Expected share price volatility | 21.4% | 24.9% | 22.3% | 23.3% |
| Expected time until exercise (years) | 6 | 6 | 7 | 7 |

Share-based compensation

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

| | February 29, 2016 | August 31, 2015 |
|------------------------------------|--------------------------|-----------------|
| Outstanding employee stock options | 3,710,273 | 2,560,873 |
| Exercisable employee stock options | 1,691,973 | 1,171,548 |
| Outstanding PSUs | 990,801 | 955,896 |
| Outstanding DSUs | 905,996 | 740,338 |
| Outstanding RSUs | 273,403 | 149,568 |

Share-based compensation expense recorded for the second quarter and the full year year-to-date fiscal 2016 in respect of these plans was \$1,020 and \$790 (2015 – \$1,405 and \$2,303). As at February 29, 2016, the carrying value of the PSU, DSU and RSU units was \$15,942 (August 31, 2015 – \$19,820).

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10. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Direct cost of sales | | | | |
| Amortization of program rights | 43,990 | 53,366 | 98,253 | 107,703 |
| Amortization of film investments | 4,213 | 6,692 | 7,544 | 13,613 |
| Other cost of sales | 2,515 | 5,738 | 8,240 | 11,278 |
| General and administrative expenses | | | | |
| Employee costs | 39,597 | 37,127 | 76,830 | 74,204 |
| Other general and administrative | 27,811 | 28,842 | 59,699 | 58,802 |
| | 118,126 | 131,765 | 250,566 | 265,600 |

Certain of Corus' Pay Television business' ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015. The Pay TV operating results remained in continuing operations, however, amortization of program rights ceased on that date and as a consequence, amortization is lower for the three and six months ended February 29, 2016 by \$14,185 and \$15,585, respectively.

11. INTEREST EXPENSE

| | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Interest on long-term debt | 7,195 | 8,829 | 15,181 | 17,578 |
| Imputed interest on long-term liabilities | 10,780 | 3,481 | 21,231 | 6,977 |
| Other | 512 | 436 | 965 | 872 |
| | 18,487 | 12,746 | 37,377 | 25,427 |

12. OTHER EXPENSE (INCOME), NET

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Interest income | (88) | (21) | (103) | (32) |
| Foreign exchange loss (gain) | 915 | (3) | 4,202 | 804 |
| Equity loss of investees | 3,250 | 1,180 | 3,632 | 1,655 |
| Film investment impairment recovery (note 6) | (346) | — | (754) | — |
| Gain on disposition of investment | — | (16,964) | (533) | (16,964) |
| Other | 1,398 | (94) | 2,610 | 441 |
| | 5,129 | (15,902) | 9,054 | (14,096) |

During the first quarter of 2016, the Company received cash proceeds of \$1,684 from Steamboat Ventures relating to its disposal of an investment, of which \$1,151 relates to a return of capital.

During the second quarter of 2015, the Company received cash proceeds of \$18,490 from Steamboat Ventures relating to its disposal of an investment, of which \$1,526 relates to a return of capital.

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13. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2016 and 2015 is as follows:

| | February 29, 2016 | | Six months ended February 28, 2015 | |
|--|-------------------|--------------|---------------------------------------|----------|
| | \$ | % | \$ | % |
| Tax at combined federal and provincial rates: | 49,113 | 26.5% | (2,179) | 26.6% |
| Income subject to tax at less than statutory rates | (62) | 0.0% | (59) | 0.7% |
| Non-taxable portion of capital gains | (27,841) | (15.0%) | (2,291) | 27.9% |
| Goodwill disposal/impairment | 14,427 | 7.8% | 28,389 | (346.1%) |
| Transaction costs | 1,992 | 1.1% | 265 | (3.2%) |
| Increase (recovery) of various tax reserves | 412 | 0.2% | (582) | 7.1% |
| Miscellaneous differences | 1,196 | 0.6% | 933 | (11.4%) |
| | 39,237 | 21.2% | 24,476 | (298.5%) |

14. BUSINESS SEGMENT INFORMATION

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

Television

The Television segment is comprised of specialty television networks, pay television services, conventional television stations, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales. The Company discontinued its Pay Television services on February 29, 2016.

Radio

The Radio segment comprises 39 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

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

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation and amortization, interest expense, business acquisition, integration and restructuring costs, non-recurring gains or losses related to acquisitions and/or dispositions of investments, impairments, and certain other income and expenses.

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The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements.

Revenues and segment profit

Three months ended February 29, 2016

| | Television | Radio | Corporate | Consolidated |
|---|---------------|--------------|----------------|----------------|
| Revenues | 163,432 | 34,273 | — | 197,705 |
| Direct cost of sales, general and administrative expenses | 82,027 | 29,091 | 7,008 | 118,126 |
| Segment profit (loss) | 81,405 | 5,182 | (7,008) | 79,579 |
| Depreciation and amortization | | | | 10,606 |
| Interest expense | | | | 18,487 |
| Business acquisition, integration and restructuring costs | | | | 6,014 |
| Gain on disposition (note 16) | | | | (86,151) |
| Other expense, net | | | | 5,129 |
| Income before income taxes | | | | 125,494 |

Three months ended February 28, 2015

| | Television | Radio | Corporate | Consolidated |
|---|---------------|--------------|----------------|-----------------|
| Revenues | 155,175 | 36,309 | — | 191,484 |
| Direct cost of sales, general and administrative expenses | 95,475 | 30,082 | 6,208 | 131,765 |
| Segment profit (loss) | 59,700 | 6,227 | (6,208) | 59,719 |
| Depreciation and amortization | | | | 6,089 |
| Interest expense | | | | 12,746 |
| Broadcast license and goodwill impairment | | | | 130,000 |
| Business acquisition, integration and restructuring costs | | | | 8,002 |
| Other income, net | | | | (15,902) |
| Loss before income taxes | | | | (81,216) |

Six months ended February 29, 2016

| | Television | Radio | Corporate | Consolidated |
|---|----------------|---------------|-----------------|----------------|
| Revenues | 347,150 | 78,873 | — | 426,023 |
| Direct cost of sales, general and administrative expenses | 177,710 | 60,888 | 11,968 | 250,566 |
| Segment profit (loss) | 169,440 | 17,985 | (11,968) | 175,457 |
| Depreciation and amortization | | | | 21,608 |
| Interest expense | | | | 37,377 |
| Business acquisition, integration and restructuring costs | | | | 8,375 |
| Gain on disposition (note 16) | | | | (86,151) |
| Other expense, net | | | | 9,054 |
| Income before income taxes | | | | 185,194 |

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Six months ended February 28, 2015

| | Television | Radio | Corporate | Consolidated |
|--|------------|--------|-----------|----------------|
| Revenues | 336,665 | 81,930 | — | 418,595 |
| Direct cost of sales, general and administrative expenses | 193,186 | 62,883 | 9,531 | 265,600 |
| Segment profit (loss) | 143,479 | 19,047 | (9,531) | 152,995 |
| Depreciation and amortization | | | | 11,863 |
| Interest expense | | | | 25,427 |
| Broadcast license and goodwill impairment | | | | 130,000 |
| Business acquisition, integration and restructuring costs | | | | 8,002 |
| Other income, net | | | | (14,096) |
| Loss before income taxes | | | | (8,201) |

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

Revenues are derived from the following areas:

| | Three months ended | | Six months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | February 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Advertising | 75,039 | 81,309 | 190,380 | 202,275 |
| Subscriber fees | 89,645 | 85,245 | 176,599 | 170,659 |
| Merchandising, distribution and other | 33,021 | 24,930 | 59,044 | 45,661 |
| | 197,705 | 191,484 | 426,023 | 418,595 |

15. 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 29, 2016 | February 28, 2015 | February 29, 2016 | February 28, 2015 |
| Interest paid | 13,626 | 16,844 | 16,277 | 18,599 |
| Interest received | 88 | 21 | 103 | 32 |
| Income taxes paid | 10,258 | 10,320 | 10,550 | 11,236 |

16. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisition of assets of Fast File Media Services Inc. (“Fast File”)

On September 16, 2015, the Company acquired certain assets of the Fast File business for a purchase price of \$2,476. These assets were accounted for at their fair value. These assets are included in the Television segment effective September 16, 2015. The purchase price equation was accounted for using the purchase method.

Disposition of Certain Pay Television Assets (“Pay TV”)

On November 19, 2015, the Company entered into an agreement with BCE Inc. (“Bell”) to discontinue operations of its Pay TV business (Movie Central, Encore and HBO Canada) and facilitate certain contractual and other arrangements, and take certain other actions, that are necessary or desirable in connection with Bell’s intent to expand the Bell premium pay television services so that they are available on a national basis.

On November 19, 2015, the Company determined that the carrying value of certain programming assets, broadcast licenses, and goodwill, along with some directly associated program rights liabilities formed a disposal group, whose value would not be recovered principally through continuing use. Accordingly, at that date the disposal group was presented separately in the statement of financial position as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, measured at the lower of carrying value and fair value less costs to sell, and amortization of intangible assets ceased. As a result, amortization in the Television segment for the three and six months ended February 29, 2016 is lower by approximately \$14,185 and \$15,585 million, respectively, than it would have been had these assets continued to be amortized.

The results of the operations of the Company’s Pay TV business were included in the Television segment until February 29, 2016, as Bell launched its national service on March 1, 2016. A gain of \$86,151 was recorded which resulted from cash proceeds of \$211,000 less the carrying value of the disposal group.

17. SUBSEQUENT EVENTS

Acquisition of Shaw Media Inc. (“Shaw Media”) from a Related Party

On April 1, 2016, the Company completed the acquisition of Shaw Media (the “Acquisition”) from Shaw Communications Inc. (“Shaw”) pursuant to the terms of the definitive share purchase agreement dated January 13, 2016 (the “Acquisition Agreement”). Under the terms of the Acquisition Agreement, the aggregate purchase price paid by Corus was \$2.65 billion, subject to certain post-closing adjustments, satisfied by the Company through a combination of: a) \$1.85 billion of cash consideration; and b) the issuance by the Company to Shaw of 71,364,853 Class B Non-Voting Shares (the “Class B Shares”) at an agreed value per share of \$11.21 per share for an aggregate value of \$800.0 million. These shares, although valued at \$11.21 per share, will be valued for accounting purposes at \$12.24, the closing price of the Company’s stock on April 1, 2016.

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The cash consideration for the Acquisition and the related re-financing of existing indebtedness of the Company and the redemption of the 4.25% senior unsecured guaranteed notes due February 11, 2020 (the "Notes"), of which \$550.0 million principal (plus accrued and unpaid interest) was outstanding, was financed through a combination of the debt from the Term Facility (as defined below) and equity from the net proceeds of the Equity Offering (as defined below) and the Concurrent Private Placement (as defined below).

Shaw Media operates Global Television and 19 of the country's specialty television channels, and their online companions, including Food Network Canada, HGTV Canada, HISTORY, Slice, National Geographic Channel and Showcase. Shaw Media also offers viewers local and national news programming from coast to coast. The Acquisition will be a business combination between entities under common control and will be accounted for by the Company using the acquisition method. The Company has not completed the valuation of assets acquired and liabilities to be assumed.

Equity Offering and Concurrent Private Placement

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the "Equity Offering") of 25,400,000 subscription receipts of Corus (the "Subscription Receipts") at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3,810,000 Subscription Receipts at a price of \$9.00 per Subscription Receipt, for additional gross proceeds of approximately \$34.3 million, representing total gross proceeds from the Equity Offering of \$262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3,560,000 Subscription Receipts on a private placement basis (the "Concurrent Private Placement") from Corus at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$32.0 million.

The net cash proceeds from the sale of the subscription receipts were held by an escrow agent, in a restricted account, until closing of the transaction on April 1, 2016. As at February 29, 2016, the escrow account was consolidated and included in cash held in escrow.

Each subscription receipt entitled the holder to automatically receive, without payment of additional consideration or further action, one Class B Share of the Company together with an amount equal to the per share dividends the Company declares on its Class B Shares, if any, for record dates which occur in the period from February 5, 2016, up to April 1, 2016, net of any applicable withholding taxes. Dividends of \$0.095 per Class B Shares were declared on January 13, 2016 for shares with a record date of February 15, 2016 and March 15, 2016.

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| | Public offering | Private placement | Total |
|--|--------------------|----------------------|----------------|
| Subscription receipts (number outstanding) | 29,210,000 | 3,560,000 | 32,770,000 |
| Gross proceeds | 262,890 | 32,040 | 294,930 |
| Interest earned on escrowed proceeds | 268 | 33 | 301 |
| Less issuance costs, net of tax | (8,658) | — | (8,658) |
| Less subscription receipt adjustment payment | (5,550) | (677) | (6,227) |
| Liabilities for subscription receipts | 248,950 | 31,396 | 280,346 |

The Class B non-voting shares (the “Class B Shares”) underlying the Subscription Receipts were issued on April 1, 2016 in connection with the completion of the Acquisition and the net proceeds from the Equity Offering and the Concurrent Private Placement (including accrued interest thereon) were applied by Corus to partially fund the cash consideration for the Acquisition.

Credit Facilities

In connection with the closing of the Acquisition, Corus established syndicated senior secured credit facilities in the aggregate amount of \$2.6 billion consisting of \$2.3 billion in term loans (the “Term Facility”), all of which was fully drawn at closing, and a \$300.0 million revolving credit facility (the “Revolving Credit Facility”) which was not drawn on as part of closing. The Term Facility and Revolving Facility replace Corus’ previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

At the time it agreed to enter into the Acquisition, Corus obtained commitments from a Canadian chartered bank for: (i) an aggregate of \$2.3 billion in new credit facilities; and (ii) a \$300.0 million non-revolving, non-amortizing unsecured term facility (the “Debt Bridge Facility”) which Corus intended to replace or repay with a proposed offering of senior unsecured notes. Prior to the closing of the Acquisition, Corus determined not to proceed with the offering of senior unsecured notes, and accordingly increased the size of the Term Facility by \$300.0 million and cancelled the Debt Bridge Facility.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the amount of \$0.8 billion and having a term of three years, and the second tranche being in the amount of \$1.5 billion and having a term of five years. The Term Facility was available in a single Canadian dollar drawdown, and net proceeds from the Term Facility, after deducting related fees and expenses, were used (together with the net proceeds from the Equity Offering and the Concurrent Private Placement) to finance the Acquisition, to prepay the amount outstanding under its existing credit facilities and to redeem the 4.25% senior unsecured guaranteed Notes due 2020.

Advances under the Term Facility may be outstanding in the form of either prime loans or bankers’ acceptance and bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus’ total debt to cash flow ratio.

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Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Credit Facility

The \$300.0 million Revolving Credit Facility has a term of four years. The Revolving Credit Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Credit Facility will be payable in full at maturity. The Revolving Credit Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Credit Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of \$50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Credit Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Credit Facility.

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

On April 1, 2016, the Company announced that it will redeem all of its outstanding \$550.0 million, 4.25% senior unsecured guaranteed notes due 2020 (the "2020 Notes") on April 18, 2016. The redemption will include accrued and unpaid interest on the 2020 Notes up to, but excluding the redemption date and a redemption premium totaling approximately \$58.0 million. In addition, the Company will write-off associated unamortized financing charges of approximately \$4.9 million.

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 consolidated financial statements.

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