CORUS ENTERTAINMENT

Fourth Quarter 2013
Report to Shareholders

For the Three Months and Fiscal Year Ended August 31, 2013
(Unaudited)

CORUS ENTERTAINMENT INC.
Fourth Quarter 2013 Report to Shareholders

TABLE OF CONTENTS

CORUS ENTERTAINMENT INC.
Fourth Quarter 2013 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 August 31,		Year ended August 31,	
	2013	2012	**2013**	2012
Revenues				
Television	**149,622**	147,874	**619,850**	650,949
Radio	**44,012**	47,750	**183,691**	191,327
	193,634	195,624	**803,541**	842,276
Segment profit [1]				
Television	**56,469**	54,490	**248,779**	262,138
Radio	**11,664**	14,995	**55,148**	57,427
Corporate	**(13,688)**	(8,623)	**(33,915)**	(29,586)
	54,445	60,862	**270,012**	289,979
Net income attributable to shareholders	**11,879**	23,341	**159,895**	148,681
Adjusted net income attributable to shareholders [1] [2]	**25,816**	31,519	**138,573**	158,556
Basic earnings per share	**$ 0.14**	$ 0.28	**$ 1.91**	$ 1.79
Adjusted basic earnings per share [1] [2]	**$ 0.31**	$ 0.38	**$ 1.65**	$ 1.90
Diluted earnings per share	**$ 0.14**	$ 0.28	**$ 1.90**	$ 1.78
Free cash flow [1]	**25,704**	24,962	**154,136**	155,147

[1] See definitions and discussion under Key Performance Indicators in MD&A.
[2] For the year ended August 31, 2013, excludes the impact of $25.0 million ($0.22 per share) debt refinancing costs, gain on disposition of the Company's non-controlling interest in Food Network Canada of $55.4 million ($0.66 per share), broadcast license impairment of $5.7 million ($0.05 per share), business acquisition, integration and restructuring costs of $7.3 million ($0.06 per share) and investment impairment charges of $7.1 million ($0.07 per share).

Significant Events in the Quarter

- On June 11, 2013, the Company and Telefilm Canada announced the Family Feature Production Fund, a new pilot program providing funding for homegrown English-language live-action films targeted to family audiences.
- On June 14, 2013, the Company's Nelvana Studio was honoured with a Daytime Entertainment Creative Arts Emmy® Award in the category of Outstanding Preschool Animated Program for the second season of *Bubble Guppies*.
- On June 15, 2013, the Company's CKNW AM 980 was honoured at the 2013 RTDNA National Awards with the Sam Ross Award for Editorial/Commentary for the programming segment *Racism at its Core* by on-air host Simi Sara.
- On June 27, 2013, the CRTC approved the application by Astral Media Inc. to sell its shares to BCE Inc. and related subsidiaries such as Bell Media Inc. Corus and Bell Media Inc. entered into agreements on March 4, 2013 for the purchase by Corus of the controlling interest in TELETOON, TELETOON Retro, TÉLÉTOON Retro, Cartoon Network (Canada), Historia and Séries+,

as well as two Ottawa radio stations. These transactions, valued at $400.6 million, are pending CRTC approval.

- On June 28, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- On July 4, 2013, the Company announced the appointment of Mario Cecchini as Head of Eastern Ontario, Corus Radio and President, Corus Média to oversee Corus' radio and conventional television stations in Eastern Ontario as well as the pending Québec specialty television assets.
- On July 17, 2013, the Company announced changes to its executive leadership team including the appointment of Doug Murphy to Executive Vice President and Chief Operating Officer, effective September 1, 2013. In his new role, Doug will oversee both the Radio and Television divisions.
- On July 31, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- On August 28, 2013, the CRTC announced that it will hold a public hearing commencing on November 5, 2013. Among the items to be considered are the Company's applications for authority to acquire control of TELETOON, TELETOON Retro, TÉLÉTOON Rétro, Cartoon Network (Canada), French-language networks Historia and Séries+, and Ottawa radio stations CKQB-FM and CJOT-FM. The broadcasting licence renewals for TELETOON, TELETOON Retro and TÉLÉTOON Rétro will also be considered.
- On August 30, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On September 7, 2013, the Company's Calgary radio station, Country 105, won three 2013 Canadian Country Music Association Awards including: Radio Station of the Year – Major Market; Music Director of the Year – Major Market; and On-air Personalities of the Year – Major Market.
- On September 20, 2013, the Company's Winnipeg radio station, 680 CJOB, announced that Sports Director, Bob Irving, was presented with the 2013 Broadcast Excellence Award from the Broadcaster's Association of Manitoba. The award is presented annually to an individual who has made significant contributions to the broadcast industry.
- On September 23, 2013, the Company announced that its programming received 27 awards combined from the Primetime Emmy® Awards and the Creative Arts Emmy® Awards. The award-winning series included HBO's *Behind the Candelabra, Game of Thrones, Boardwalk Empire, The Newsroom and Veep* as well as Showtime's *Nurse Jackie*.
- On September 24, 2013, the Company was named, for the third time, as one of Canada's Top Employers for Young People 2013 by Mediacorp Canada Inc.
- On September 30, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2013 is prepared at September 30, 2013. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2012 Annual Report and the consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

Cautionary statement regarding forward-looking statements

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

Overview of Consolidated Results

Net income attributable to shareholders for the fourth quarter of 2013 was $11.9 million on revenues of $193.6 million, as compared to $23.3 million on revenues of $195.6 million in the prior year. Consolidated segment profit decreased 11% from the prior year, with an increase in the Television segment of 4% and a decrease in the Radio segment of 22%.

Net income attributable to shareholders for the year ended August 31, 2013 was $159.9 million on revenues of $803.5 million, as compared to $148.7 million on revenues of $842.3 million in the prior year. Consolidated segment profit decreased 7% from the prior year, with Television and Radio down 5% and 4%, respectively. Further analysis is provided in the discussions of segmented results.

Free cash flow for the year ended August 31, 2013 was $154.1 million compared to $155.1 million in the prior year.

Revenues

Revenues for the fourth quarter of fiscal 2013 were $193.6 million, a decrease of 1% from $195.6 million last year. On a consolidated basis, advertising revenues decreased by 2%, subscriber revenues increased by 1% and merchandising, distribution and other revenues decreased by 3%. Revenues increased for Television by 1%, while Radio decreased by 8% in the fourth quarter compared to the prior year.

For the year ended August 31, 2013, revenues of $803.5 million represented a decrease of 5% from $842.3 million last year. On a consolidated basis, advertising revenues decreased by 1%, subscriber revenues were comparable with the prior year and merchandising, distribution and other revenues decreased by 22%. Refer to the discussions of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the fourth quarter of fiscal 2013 were $139.2 million, up 3% from $134.8 million in the prior year. This increase resulted from higher costs in the Corporate reporting segment, which was partially offset by cost reductions in the Radio segment. For the year ended August 31, 2013, expenses of $533.5 million represented a 3% decrease over the prior year and are attributable to lower costs in the Television and Radio segments, offset by an increase in the Corporate segment. Refer to the discussions of segmented results for additional analysis of expenses.

Depreciation and amortization

Depreciation and amortization expense of $6.0 million for the fourth quarter of fiscal 2013 was down $0.4 million from $6.4 million in the fourth quarter of fiscal 2012, while for the year ended August 31, 2013, depreciation expense of $26.9 million represented a $1.3 million increase over the prior year, primarily as a result of additional amortization of intangibles.

Interest expense

Interest expense of $10.5 million in the fourth quarter of fiscal 2013 was $1.8 million less than the prior year, while interest for the year ended August 31, 2013 of $46.3 million was $5.9 million lower than the prior year. This resulted from lower average interest rates on outstanding debt as a consequence of the issue of $550.0 million, 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 (the "2020 Notes") and repayment of $500.0 million, 7.25% Senior Unsecured Guaranteed Notes due February 11, 2017 (the “2017 Notes”). The effective interest rate on bank loans and notes for the three months and year ended August 31, 2013, was 4.6% and 5.8%, compared to 7.3% and 7.0%, respectively, last year.

Debt refinancing

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

Gain on sale of associated company

In the third quarter of fiscal 2013, the Company recorded a gain of $55.4 million on the disposition of its non-controlling interest in Food Network Canada to Shaw Communications Inc. (“Shaw”), a related party subject to common voting control.

Business acquisition, integration and restructuring costs

In the fourth quarter of fiscal 2013, the Company undertook a restructuring to realign the organizational structure. This resulted in the Company recording a charge of $4.4 million in the fourth quarter of fiscal 2013, primarily related to severance and employee related costs. The Company also incurred costs related to pending business combinations and integration planning of $0.8 million in the fourth quarter and $2.9 million for the year ended August 31, 2013.

For the year ended August 31, 2012, the Company incurred restructuring and transaction costs of $2.3 million and $1.8 million, respectively.

Other (income) expense, net

Other expense for the three months and year ended August 31, 2013 were $8.4 million and $8.6 million, respectively, compared to income of $0.8 million and $5.5 million, respectively, in the prior year. The decrease relates to impairment charges on certain investments of $7.1 million and lower equity earnings from investees in the current year as well as an accounting gain of $2.4 million in the prior year resulting from the remeasurement to fair value of the Company’s 50% interest in Toon Boom Animation Inc. which was held prior to the acquisition of the remaining 50% interest on March 1, 2012.

Income tax expense

The effective tax rate for the year ended August 31, 2013 was 19.3%, compared to the Company’s 26.5% statutory rate. The significant decrease in the effective tax rate reflects the fact that a portion of the gain realized on the disposition of the Company’s non-controlling interest in Food Network Canada was not subject to tax and also reflects the utilization of capital loss carryforwards for which no deferred tax asset had previously been recognized.

Net income and earnings per share

Net income attributable to shareholders for the fourth quarter of fiscal 2013 was $11.9 million, as compared to $23.3 million last year. Earnings per share attributable to shareholders for the fourth quarter of fiscal 2013 were $0.14 per share basic and diluted compared with $0.28 per share basic and diluted last year. Net income for the current quarter includes an impairment charge on certain Radio broadcast licenses of $5.7 million, business acquisition, integration and restructuring costs of $5.2 million and investment impairment charges of $7.1 million. Removing the impact of these items results in adjusted net income attributable to shareholders of $25.8 million ($0.31 per share basic).

Net income attributable to shareholders for the year ended August 31, 2013 was $159.9 million, as compared to $148.7 million last year. Earnings per share attributable to shareholders for the fiscal year were $1.91 per share basic and $1.90 per share diluted, compared with $1.79 per share basic and $1.78 per share diluted in the prior year. Removing the impact of the broadcast license impairment charge of $5.7 million ($0.05 per share basic), the debt refinancing charge incurred in the second quarter of fiscal 2013 of $25.0 million ($0.22 per share basic), the gain from the disposition of Food Network Canada in the third quarter of fiscal 2013 of $55.4 million ($0.66 per share basic), business acquisition, integration and restructuring costs of $7.3 million ($0.06 per share basic) and investment impairment charges of $7.1 million ($0.07 per share basic) results in adjusted net income attributable to shareholders of $138.6 million ($1.65 per share basic). Net income attributable to shareholders for the prior fiscal year includes a charge due to an income tax rate change of $6.8 million and business acquisition, integration and restructuring costs of $4.2 million. Removing the impact of these items results in an adjusted basic earnings per share attributable to shareholders of $1.90 per share in the prior year.

The weighted average number of shares outstanding (basic) for the three months and year ended August 31, 2013, was 84,309,000 and 83,860,000, respectively, and has increased in the current year due to the issuance and exercise of stock options and the issuance of shares from treasury under the Company's dividend reinvestment plan, offset slightly by shares repurchased under the Company's Normal Course Issuer Bid.

Other comprehensive income (loss), net of tax

Other comprehensive income for the year ended August 31, 2013 was $3.1 million, compared to a $2.7 million loss in the prior year. This increase of $5.8 million resulted from a higher unrealized foreign currency translation gain, an increase year-over-year on the unrealized change in fair value of available-for-sale investments and from actuarial gains on defined benefit plans in the current year.

Television

The Television division is comprised of: YTV; Treehouse; Nickelodeon (Canada); W Network; OWN: Oprah Winfrey Network (Canada); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services (Movie Central, including HBO Canada and Encore Avenue); three conventional television stations serving Peterborough, Kingston and Durham; the Corus content business including Nelvana (production and distribution of films and television programs, and merchandise licensing), Kids Can Press (publishing) and Toon Boom (animation software); the Company's majority interest in CMT (Canada), Telelatino (TLN, EuroWorld Sport, Mediaset Italia, Sky TG24, Teleniños, TLN en Español, Telebimbi, CineLatino), DUSK (discontinued March 23, 2012), ABC Spark (launched March 26, 2012) and Cosmopolitan TV; and a 50% interest in TELETOON, TELETOON Retro (English and French) and Cartoon Network (Canada).

Financial Highlights

	Three months ended		Year ended	
	August 31,		**August 31,**	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Revenues	**149,622**	147,874	**619,850**	650,949
Expenses	**93,153**	93,384	**371,071**	388,811
Segment profit [(1)]	**56,469**	54,490	**248,779**	262,138

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

Revenues increased compared to the prior year by 1% in the fourth quarter of fiscal 2013, as growth of 6% in specialty advertising revenues and 1% in subscriber revenues was offset by a 3% decline in merchandising, distribution and other revenues. The increase in specialty advertising revenues was driven by growth in the Women's vertical, as well as the continued success of ABC Spark and robust demand for co-view inventory. Growth in subscriber revenues reflects the increase in Movie Central subscribers as well as a free preview period for ABC Spark in the prior year. The decline in merchandising, distribution and other revenues in the fourth quarter was driven by lower Beyblade merchandising revenues offset by an increase in library distribution sales. For the year ended August 31, 2013, specialty advertising revenues were up 2%, subscriber revenues were comparable, while merchandising, distribution and other revenues were down 24% compared to the prior year. Movie Central (including HBO Canada) ended the quarter with 996,000 subscribers, up 20,000 from the prior year.

Total expenses were comparable to the prior year in the fourth quarter of 2013. This is a result of higher direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) offset by lower general and administrative expenses. The increase in direct cost of sales for the quarter reflects growth of 3% in program rights amortization, caused by increased investment in programming to drive ratings, and higher costs tied to the production and distribution business. General and administrative expenses decreased by 4% in the quarter due to continued focus on cost control and the timing of certain expenses. For the year ended August 31, 2013, total expenses were down 5% as both direct cost of sales and general and administrative expenses have declined year-over-year.

Segment profit increased 4% in the fourth quarter of fiscal 2013; however, decreased 5% for the year. Segment profit margin of 38% for the fourth quarter and 40% for the full year were both consistent with the prior year.

Radio

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

Financial Highlights

	Three months ended August 31,		Year ended August 31,	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Revenues	**44,012**	47,750	**183,691**	191,327
Expenses	**32,348**	32,755	**128,543**	133,900
Segment profit[1]	**11,664**	14,995	**55,148**	57,427

[1] As defined in "Key Performance Indicators"

Revenues decreased compared to the prior year by 8% in the fourth quarter of fiscal 2013 and 4% for the year. In the fourth quarter, revenues declined in all provinces. For the year ended August 31, 2013, Manitoba and Ontario experienced revenue softness while Alberta and British Columbia had stronger ratings and economic conditions.

Direct cost of sales, general and administrative expenses decreased compared to the prior year by 1% in the fourth quarter of fiscal 2013 and 4% for the year. Variable expenses for the fourth quarter were down 5% compared to the prior year, driven by lower sales commissions. For the year ended August 31, 2013, variable expenses decreased 2% corresponding with the revenue decline. Fixed costs, which represent a much higher proportion of the cost structure, were consistent with prior year in the fourth quarter of 2013 and decreased 5% for the year. The decrease in fixed costs on a full year basis was primarily due to lower hockey broadcast rights fees, lower promotional spending and the recognition of an Ontario Interactive Digital Media Tax Credit.

Segment profit decreased 22% for the fourth quarter of fiscal 2013 and 4% for the year. For the fourth quarter, segment profit margin decreased to 27% compared to 31% in the prior year. However, for the full year, segment profit margin was consistent at 30% as a result of continued focus on cost controls.

Corporate

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

Financial Highlights

	Three months ended August 31,		Year ended August 31,	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Share-based compensation	**4,946**	3,525	**12,953**	11,061
Other general and administrative costs	**8,742**	5,098	**20,962**	18,525
	13,688	8,623	**33,915**	29,586

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

Other general and administrative costs are higher in the fourth quarter and the year ended August 31, 2013, primarily as a result of higher expenses attributable to performance incentive plans. The prior year also includes a rebate on operating costs related to Corus Quay which was received in the third quarter of fiscal 2012.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2012, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2013. 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, 2012.

[in thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[1]	Net income attributable to shareholders	Earnings per share Basic	Earnings per share Diluted
2013					
4th quarter	**193,634**	**54,445**	**11,879**	**$ 0.14**	**$ 0.14**
3rd quarter	200,060	68,226	89,913	$ 1.07	$ 1.07
2nd quarter	183,700	54,648	5,944	$ 0.07	$ 0.07
1st quarter	226,147	92,693	52,159	$ 0.63	$ 0.62
2012					
4th quarter	195,624	60,862	23,341	$ 0.28	$ 0.28
3rd quarter	204,078	75,656	43,221	$ 0.52	$ 0.51
2nd quarter	205,683	62,247	31,571	$ 0.38	$ 0.38
1st quarter	236,891	91,214	50,548	$ 0.61	$ 0.61

[1] As defined in "Key Performance Indicators"

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the fourth quarter of fiscal 2013 was negatively impacted by a non-cash expense of $5.7 million ($0.05 per share) related to broadcast license impairments on certain Radio clusters, a charge of $5.2 million ($0.05 per share) related to restructuring costs and investment impairment charges of $7.1 million ($0.07 per share).

- Net income attributable to shareholders for the third quarter of fiscal 2013 was positively impacted by the gain of $55.4 million ($0.66 per share) related to the disposal of the Company's non-controlling interest in Food Network Canada.
- Net income attributable to shareholders for the second quarter of fiscal 2013 was negatively impacted by the early redemption of all of the $500.0 million, 7.25% Senior Unsecured Guaranteed Notes that were due on February 10, 2017. A debt refinancing charge of $25.0 million ($0.22 per share) was recorded to reflect the redemption premium and the write-off of unamortized financing charges related to the 2017 Notes.
- Net income attributable to shareholders for the fourth quarter of fiscal 2012 was negatively impacted by a non-cash expense of $6.8 million ($0.08 per share) related to an increase in the Ontario long-term tax rate which was substantively enacted in the fourth quarter of fiscal 2012.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2012.

Outlook

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

Financial Position

Total assets at August 31, 2013 and August 31, 2012 were $2.2 billion and $2.1 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2012:

Current assets at August 31, 2013 were $327.1 million, up $106.9 million from August 31, 2012. Cash and cash equivalents increased by $61.5 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $3.1 million. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Promissory note receivable increased $47.8 million arising from the sale of the Company's non-controlling interest in Food Network Canada to Shaw Media Inc. ("Shaw"), net of its acquisition of the remaining 49% interest in ABC Spark from Shaw.

Tax credits receivable decreased $2.3 million as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Intangibles, investments and other assets increased $0.6 million, primarily as a result of increases in investments and intangibles offset by the disposition of Corus' 20% interest in Food Network Canada, equity losses and dividends from associates, amortization of intangible assets and a charge related to impairment of an associate of $3.4 million.

Property, plant and equipment decreased $12.2 million, as depreciation expense exceeded additions for fiscal 2013.

Program and film rights increased $17.9 million, as additions of acquired rights of $208.1 million were offset by amortization of $190.2 million during fiscal 2013.

Film investments decreased $5.2 million, as film spending (net of tax credit accruals) of $24.3 million was offset by film amortization of $25.8 million and an asset impairment charge of $3.7 million.

Broadcast licenses decreased $5.7 million, while goodwill remained consistent with August 31, 2012 balances. An impairment charge of $5.7 million was recorded for certain Radio broadcast licenses.

Accounts payable and accrued liabilities decreased $13.3 million as a result of lower current program rights payable, accrued liabilities and financing leases payable.

Provisions increased $1.6 million as a result of accruals made relating to work-force reduction initiatives taken in the fourth quarter of fiscal 2013.

Long-term debt at August 31, 2013 was $539.0 million, up $20.7 million primarily as a result of the 2020 Notes issuance of $550.0 million, offset by the repayment of the 2017 Notes of $500.0 million and a repayment on the bank debt of $30.0 million.

Other long-term liabilities increased by $17.2 million, primarily from an increase in imputed interest on long-term liabilities and increases in program rights payable.

Share capital increased $27.2 million, as the issuance of shares from treasury under the Company's dividend reinvestment plan and exercise of stock options added $26.7 million and $1.2 million, respectively, to share capital that was offset by $0.7 million in costs related to shares repurchased under the Company's Normal Course Issuer Bid.

Contributed surplus decreased $0.6 million due to the issuance of shares under the stock option plan of $2.2 million, offset by share-based compensation expense of $1.6 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased $61.5 million for the year ended August 31, 2013. Free cash flow from operations for the year ended August 31, 2013 was $154.1 million, compared to free cash flow of $155.1 million in the prior year. This decrease in free cash flow primarily reflects lower cash from operating activities during the year. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities for the year ended August 31, 2013 was $167.0 million, compared to $170.3 million last year. The decrease of $3.3 million arises from lower net income from operations before non-cash items of $27.3 million; higher additions to film investments of $5.1 million, offset by a decreased spend on program rights of $11.3 million; and lower working capital usage of $17.8 million.

Cash used in investing activities from operations for the year ended August 31, 2013 was $24.6 million, compared to $35.3 million in the prior year. The decrease of $10.7 million is attributable to a decrease of $6.2 million in additions to capital assets, the investment in Toon Boom in the prior year of $4.1 million, and a decrease in net cash flows for intangibles, investments and other assets of $0.4 million.

Cash used in financing activities for the year ended August 31, 2013 was $81.0 million, compared to $166.4 million in the prior year. In the current year, the Company issued the 2020 Notes of $550 million, redeemed the 2017 Notes of $500.0 million and paid $26.7 million in financing fees. Bank debt was paid down by $29.9 million; $1.5 million of shares were repurchased under the Normal Course

Issuer Bid, dividends of $63.0 million were paid and the Company's payments under capital leases increased by $1.2 million. In the prior year, the Company decreased bank debt by $84.8 million, repurchased $25.3 million of shares under the Normal Course Issuer Bid and paid $56.8 million in dividends.

Liquidity

As at August 31, 2013, the Company had available approximately $500.0 million under a revolving term credit facility that matures on February 11, 2017. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at August 31, 2013, the Company had a cash balance of $86.1 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at August 31, 2013, net debt was $452.9 million, down from $493.7 million at August 31, 2012. Net debt to segment profit at August 31, 2013 was consistent with August 31, 2012 at 1.7 times.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the fourth quarter of fiscal 2013.

Outstanding Share Data

As at September 30, 2013, 3,430,292 Class A Voting Shares and 81,128,400 Class B Non-Voting Shares were issued and outstanding.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the year ended August 31, 2013 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Key Performance Indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2012, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; disputed regulatory fees; debt refinancing and certain other income and expenses (note 13 to the interim consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 14 to the condensed interim consolidated financial statements.

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

Free cash flow

	Three months ended		Year ended	
	August 31,		**August 31,**	
(in thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Cash provided by (used in):				
Operating activities	**29,187**	29,694	**167,034**	170,310
Investing activities	**(4,521)**	(13,164)	**(24,550)**	(35,272)
	24,666	16,530	**142,484**	135,038
Add back: cash used for business combinations and strategic investments	**1,038**	8,432	**11,652**	20,109
Free cash flow	**25,704**	24,962	**154,136**	155,147

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended		Year ended	
	August 31,		**August 31,**	
(in thousands of Canadian dollars, except per share amounts)	**2013**	2012	**2013**	2012
Net income attributable to shareholders	**11,879**	23,341	**159,895**	148,681
Adjustments (net of tax):				
Impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter of 2012	**—**	6,834	**—**	6,834
Gain on sale of associated company	**—**	—	**(55,394)**	—
Debt refinancing costs related to issuance of $550 million of Senior Unsecured Notes	**—**	—	**18,488**	—
Impact of broadcast license impairment charge	**4,240**	—	**4,240**	—
Impact of business acquisition, integration and restructuring costs	**3,987**	1,344	**5,634**	3,041
Impact of investment impairment charges	**5,710**	—	**5,710**	—
Adjusted net income attributable to shareholders	**25,816**	31,519	**138,573**	158,556

Basic earnings per share	**$ 0.14**	$ 0.28	**$ 1.91**	$ 1.79
Adjustments (net of tax):				
Impact of charge related to an increase in the Ontario long-term tax rate substantively enacted in the fourth quarter 2012	**$ —**	$ 0.08	**$ —**	$ 0.08
Gain on sale of associated company	**$ —**	$ —	**$(0.66)**	$ —
Debt refinancing costs related to issuance of $550 million of Senior Unsecured Notes	**$ —**	$ —	**$ 0.22**	$ —
Impact of broadcast license impairment charge	**$ 0.05**	$ —	**$ 0.05**	$ —
Impact of business acquisition, integration and restructuring costs	**$ 0.05**	$ 0.02	**$ 0.06**	$ 0.03
Impact of investment impairment charges	**$ 0.07**	$ —	**$ 0.07**	$ —
Adjusted basic earnings per share	**$ 0.31**	$ 0.38	**$ 1.65**	$ 1.90

Net debt

(in thousands of Canadian dollars)	**2013**	2012
Long-term debt	**538,966**	518,258
Cash and cash equivalents	**(86,081)**	(24,588)
Net debt	**452,885**	493,670

Net debt to segment profit

(in thousands of Canadian dollars)	**2013**	2012
Net debt (numerator)	**452,885**	493,670
Segment profit (denominator)[1]	**270,012**	289,979
Net debt to segment profit	**1.7**	1.7

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

Impact of New Accounting Policies

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB is included in note 3 in Corus' August 31, 2013 condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31, [unaudited - in thousands of Canadian dollars]	2013	2012
ASSETS		
Current		
Cash and cash equivalents	**86,081**	24,588
Accounts receivable	**176,504**	173,421
Promissory note receivable (note 17)	**47,759**	—
Income taxes recoverable	**341**	9,542
Prepaid expenses and other	**16,416**	12,664
Total current assets	**327,101**	220,215
Tax credits receivable	**41,564**	43,865
Intangibles, investments and other assets (note 4)	**42,975**	42,390
Property, plant and equipment	**151,398**	163,563
Program and film rights (note 5)	**289,181**	271,244
Film investments (note 6)	**62,734**	67,983
Broadcast licenses (note 7)	**563,771**	569,505
Goodwill	**674,393**	674,393
Deferred tax assets	**39,463**	28,327
	2,192,580	2,081,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**172,663**	185,991
Provisions (note 8)	**3,941**	2,322
Total current liabilities	**176,604**	188,313
Long-term debt (note 9)	**538,966**	518,258
Other long-term liabilities	**105,020**	87,853
Deferred tax liabilities	**151,157**	150,971
Total liabilities	**971,747**	945,395
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**937,183**	910,005
Contributed surplus (note 10)	**7,221**	7,835
Retained earnings	**256,517**	198,445
Accumulated other comprehensive income (loss)	**1,653**	(812)
Total equity attributable to shareholders	**1,202,574**	1,115,473
Equity attributable to non-controlling interest	**18,259**	20,617
Total shareholders' equity	**1,220,833**	1,136,090
	2,192,580	2,081,485

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended		Year ended	
	August 31,		**August 31,**	
[unaudited - in thousands of Canadian dollars except per share amounts]	**2013**	2012	**2013**	2012
Revenues	**193,634**	195,624	**803,541**	842,276
Direct cost of sales, general and administrative expenses (note 11)	**139,189**	134,762	**533,529**	552,297
Depreciation and amortization	**6,031**	6,408	**26,903**	25,639
Interest expense (note 12)	**10,473**	12,242	**46,332**	52,269
Broadcast license and goodwill impairment (note 7)	**5,734**	—	**5,734**	—
Debt refinancing (note 9)	**—**	—	**25,033**	—
Business acquisition, integration and restructuring costs	**5,196**	1,841	**7,343**	4,166
Gain on sale of associated company (note 17)	**—**	—	**(55,394)**	—
Other expense (income), net (note 13)	**8,391**	(785)	**8,553**	(5,487)
Income before income taxes	**18,620**	41,156	**205,508**	213,392
Income tax expense (note 14)	**5,279**	16,171	**39,759**	57,241
Net income for the period	**13,341**	24,985	**165,749**	156,151
Net income attributable to:				
Shareholders	**11,879**	23,341	**159,895**	148,681
Non-controlling interest	**1,462**	1,644	**5,854**	7,470
	13,341	24,985	**165,749**	156,151
Earnings per share attributable to shareholders:				
Basic	**$ 0.14**	$ 0.28	**$ 1.91**	$ 1.79
Diluted	**$ 0.14**	$ 0.28	**$ 1.90**	$ 1.78
Net income for the period	**13,341**	24,985	**165,749**	156,151
Other comprehensive income (loss), net of tax:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**648**	(1,485)	**2,333**	486
Unrealized change in fair value of available-for-sale investments	**174**	31	**132**	(223)
Actuarial gain (loss) on employee future benefits	**616**	(2,950)	**616**	(2,950)
	1,438	(4,404)	**3,081**	(2,687)
Comprehensive income for the period	**14,779**	20,581	**168,830**	153,464
Comprehensive income attributable to:				
Shareholders	**13,317**	18,937	**162,976**	145,994
Non-controlling interest	**1,462**	1,644	**5,854**	7,470
	14,779	20,581	**168,830**	153,464

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[unaudited - in thousands of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090
Comprehensive income	—	—	159,895	3,081	162,976	5,854	168,830
Actuarial gain transfer	—	—	616	(616)	—	—	—
Dividends declared	—	—	(84,452)	—	(84,452)	(6,331)	(90,783)
Issuance of shares under stock option plan	1,155	(2,200)	—	—	(1,045)	—	(1,045)
Issuance of shares under dividend reinvestment plan	26,731	—	—	—	26,731	—	26,731
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	1,586	—	—	1,586	—	1,586
Acquisition of non-controlling interest (note 17)	—	—	(17,231)	—	(17,231)	(1,881)	(19,112)
At August 31, 2013	**937,183**	**7,221**	**256,517**	**1,653**	**1,202,574**	**18,259**	**1,220,833**
At August 31, 2011	882,679	10,299	143,717	(1,075)	1,035,620	19,200	1,054,820
Comprehensive income	—	—	148,681	(2,687)	145,994	7,470	153,464
Actuarial loss transfer	—	—	(2,950)	2,950	—	—	—
Dividends declared	—	—	(78,143)	—	(78,143)	(6,053)	(84,196)
Issuance of shares under stock option plan	13,668	(3,622)	—	—	10,046	—	10,046
Issuance of shares under dividend reinvestment plan	25,982	—	—	—	25,982	—	25,982
Shares repurchased	(12,435)	—	(12,860)	—	(25,295)	—	(25,295)
Share-based compensation expense	—	1,158	—	—	1,158	—	1,158
Repayment of executive stock purchase loans	111	—	—	—	111	—	111
At August 31, 2012	910,005	7,835	198,445	(812)	1,115,473	20,617	1,136,090

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended	
	August 31,		**August 31,**	
[unaudited - in thousands of Canadian dollars]	**2013**	2012	**2013**	2012
OPERATING ACTIVITIES				
Net income for the period	**13,341**	24,985	**165,749**	156,151
Add (deduct) non-cash items:				
Depreciation and amortization	**6,031**	6,408	**26,903**	25,639
Broadcast license and goodwill impairment	**5,734**	—	**5,734**	—
Amortization of program and film rights	**48,099**	46,543	**190,176**	186,348
Amortization of film investments	**8,360**	10,052	**25,759**	32,001
Deferred income taxes	**(1,356)**	8,186	**(11,332)**	12,921
Investment impairments	**7,121**	—	**7,121**	—
Share-based compensation expense	**424**	268	**1,586**	1,158
Imputed interest	**4,137**	2,444	**11,816**	11,348
Debt refinancing	**—**	—	**25,033**	—
Gain on sale of associated company	**—**	—	**(55,394)**	—
Gain on acquisition	**—**	—	**—**	(2,383)
Other	**818**	738	**700**	(2,052)
Net change in non-cash working capital balances related to operations	**12,609**	(3,939)	**4,584**	(13,199)
Payment of program and film rights	**(79,000)**	(65,422)	**(185,327)**	(196,689)
Net additions to film investments	**2,869**	(569)	**(46,074)**	(40,933)
Cash provided by operating activities	**29,187**	29,694	**167,034**	170,310
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(2,715)**	(5,658)	**(13,043)**	(19,243)
Business combinations	**—**	—	**—**	(4,104)
Net cash flows for intangibles, investments and other assets	**(1,568)**	(7,431)	**(10,855)**	(11,290)
Other	**(238)**	(75)	**(652)**	(635)
Cash used in investing activities	**(4,521)**	(13,164)	**(24,550)**	(35,272)
FINANCING ACTIVITIES				
Decrease in bank loans	**—**	(9,973)	**(29,925)**	(84,750)
Issuance of notes	**—**	—	**550,000**	—
Redemption of notes	**—**	—	**(500,000)**	—
Financing fees	**—**	—	**(26,732)**	—
Issuance of shares under stock option plan	**—**	—	**884**	10,046
Shares repurchased	**—**	(21,407)	**(1,464)**	(25,295)
Dividends paid	**(15,112)**	(13,258)	**(56,696)**	(50,783)
Dividends paid to non-controlling interest	**(616)**	(1,630)	**(6,331)**	(6,053)
Other	**(1,138)**	(2,310)	**(10,727)**	(9,537)
Cash used in financing activities	**(16,866)**	(48,578)	**(80,991)**	(166,372)
Net change in cash and cash equivalents during the period	**7,800**	(32,048)	**61,493**	(31,334)
Cash and cash equivalents, beginning of the period	**78,281**	56,636	**24,588**	55,922
Cash and cash equivalents, end of the period	**86,081**	24,588	**86,081**	24,588

Supplemental cash flow disclosures (note 16)
See accompanying notes

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2012, 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 audited annual consolidated financial statements for the year ended August 31, 2012, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated statements have been authorized for issue in accordance with a resolution of the Board of Directors, on October 23, 2013.

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.

(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, 2012	13,452	20,438	8,500	42,390
Increase (decrease) in investment	10,690	(13,243)	7,887	5,334
Amortization of intangible assets	(4,416)	—	—	(4,416)
Fair value adjustment	—	(485)	152	(333)
Balance - August 31, 2013	**19,726**	**6,710**	**16,539**	**42,975**

The decrease in the investments in associates is primarily due to the disposition of the Company's 20% interest in Food Network Canada in the third quarter of fiscal 2013, which had a carrying value of $11,388 on the disposition date (note 17). In the fourth quarter of fiscal 2013, the Company recorded an impairment charge on an investment in associates of $3,400.

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2012	271,244
Net additions	208,113
Amortization	(190,176)
Balance - August 31, 2013	**289,181**

6. FILM INVESTMENTS

Balance - August 31, 2012	67,983
Net additions	20,510
Amortization	(25,759)
Balance - August 31, 2013	**62,734**

7. BROADCAST LICENSES

The changes in the book value of broadcast licenses for the years ended August 31 were as follows:

	Total
Balance - August 31, 2012	569,505
Impairments	(5,734)
Balance - August 31, 2013	**563,771**

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2013. As certain businesses had actual results that fell short of previous estimates and the outlook for these markets is less robust, impairment losses of $5,734 were recorded for certain Radio broadcast licenses.

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

8. PROVISIONS

In the fourth quarter of fiscal 2013, the Company undertook a significant restructuring to realign the organizational structure. This resulted in the Company recording a charge of $4,424 in fiscal 2013, primarily related to severance and employee related costs.

The Company anticipates that these provisions will be substantially paid by fiscal 2014.

The continuity of provisions for the years ended is as follows:

	2013	2012
Restructuring		
Balance, beginning of period	**2,452**	5,330
Work-force reduction initiatives	**4,424**	2,325
Payments	**(2,435)**	(5,203)
Balance, end of period	**4,441**	2,452
Long term portion	**(1,094)**	(405)
Total current restructuring provision	**3,347**	2,047
Legal claims	**594**	275
Total current provision balance, end of period	**3,941**	2,322

9. LONG-TERM DEBT

	2013	2012
Bank loans	**—**	29,965
Senior unsecured guaranteed notes	**550,000**	500,000
Unamortized financing fees	**(11,034)**	(11,707)
	538,966	518,258

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2013, the weighted average interest rate on the outstanding bank loans and Notes was 4.3% (2012 – 7.2%). Interest on the bank loans and notes averaged 4.6% for the fourth quarter and 5.8% for fiscal 2013 (2012 – 7.3% and 7.0%).

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 August 31, 2013.

In the second quarter of fiscal 2013, the Company issued $550.0 million principal amount of 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 ("2020 Notes") and redeemed the existing $500.0 million principal amount of 7.25% Senior Unsecured Guaranteed Notes due February 10, 2017 ("2017 Notes") effective March 16, 2013.

The transactions noted above resulted in the Company recording debt refinancing costs of $25.0 million in the second quarter of fiscal 2013 which included the early redemption premium of $18.1 million and the non-cash write-off of unamortized financing fees of $6.9 million related to the 2017 Notes.

On February 27 2013, the Company's $500.0 million credit facility, available on a revolving basis, with a syndicate of banks was amended. The principal amendment was to extend the maturity date to February 11, 2017.

10. SHARE CAPITAL

Authorized

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

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2012 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2012	3,434,292	26,595	79,924,384	883,410	910,005
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,000)	(31)	4,000	31	—
Issuance of shares under stock option plan	—	—	50,200	1,155	1,155
Issuance of shares under dividend reinvestment plan	—	—	1,134,666	26,731	26,731
Shares repurchased	—	—	(64,104)	(708)	(708)
Balance as at August 31, 2013	**3,430,292**	**26,564**	**81,049,146**	**910,619**	**937,183**

Earnings per share

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

	Three months ended **August 31,**		Year ended **August 31,**	
	2013	2012	**2013**	2012
Net income attributable to shareholders (numerator)	**11,879**	23,341	**159,895**	148,681
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**84,309**	83,825	**83,860**	83,240
Effect of dilutive securities	**313**	263	**330**	328
Weighted average number of shares outstanding - diluted	**84,622**	84,088	**84,190**	83,568

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

Share-based compensation

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

	2013	2012
Outstanding employee stock options	**2,158,073**	1,816,098
Exercisable employee stock options	**1,063,380**	970,437
Outstanding PSUs	**910,301**	885,067
Outstanding DSUs	**738,516**	633,703
Outstanding RSUs	**138,618**	89,874

Share-based compensation expense recorded for the fourth quarter and the fiscal year in respect of these plans was $4,946 and $12,953 (2012 – $3,525 and $11,061). As at August 31, 2013, the value of the PSU, DSU and RSU units was $45,133 (August 31, 2012 – $37,240).

Dividend reinvestment plan

In fiscal 2013, the Company issued 1,134,666 Class B Non-Voting Shares, resulting in an increase in share capital of $26,731.

Normal course issuer bid

On June 20, 2012, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its Normal Course Issuer Bid for its Class B Non-Voting Participating Shares through the facilities of the TSX, or other alternative Canadian trading systems. The Company was authorized to purchase for cancellation a maximum of 4,000,000 Class B Non-Voting Participating Shares during the period from June 22, 2012 through June 21, 2013.

The shares purchased for cancellation since August 31, 2012 are as follows:

	#	$	Average per share $
September 2012	64,104	1,464	22.84
Fiscal 2013	**64,104**	**1,464**	**22.84**

During the first quarter of fiscal 2013, the total cash consideration paid exceeded the carrying value of the shares repurchased by $756 (2012 - $12,860), which was charged to retained earnings.

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **August 31,**		Year ended **August 31,**	
	2013	2012	**2013**	2012
Amortization of program rights	**48,099**	46,543	**190,176**	186,348
Amortization of film investments	**8,360**	10,052	**25,759**	32,001
Other cost of sales	**8,745**	7,688	**35,371**	47,305
Employee costs	**43,010**	39,375	**155,687**	151,361
Other general and administrative	**30,975**	31,104	**126,536**	135,282
	139,189	134,762	**533,529**	552,297

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

12. INTEREST EXPENSE

	Three months ended August 31,		Year ended August 31,	
	2013	2012	**2013**	2012
Interest on long-term debt	**5,919**	9,373	**32,814**	38,844
Imputed interest on long-term liabilities	**4,133**	2,444	**11,816**	11,348
Other	**421**	425	**1,702**	2,077
	10,473	12,242	**46,332**	52,269

13. OTHER EXPENSE (INCOME), NET

	Three months ended August 31,		Year ended August 31,	
	2013	2012	**2013**	2012
Interest income	**(370)**	(235)	**(1,091)**	(692)
Foreign exchange losses (gains)	**128**	(557)	**876**	553
Share of earnings of associates	**949**	(460)	**623**	(2,111)
Third-party-produced film investment impairment charge	**3,722**	—	**3,722**	—
Investment in associates impairment charge	**3,399**	—	**3,399**	—
Other	**563**	467	**1,024**	(3,237)
	8,391	(785)	**8,553**	(5,487)

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for fiscal 2013 and 2012 is as follows:

	2013		2012	
	$	**%**	$	%
Tax at combined federal and provincial rates:	**54,381**	**26.5**	57,277	26.8
Income subject to tax at less than statutory rates	**(1,022)**	**(0.5)**	(3,500)	(1.6)
Non-taxable portion of capital gains	**(10,125)**	**(5.0)**	(638)	(0.3)
Impact of change in long term tax rate	**—**	**—**	6,834	3.2
Increase (recovery) of various tax reserves	**(6,383)**	**(3.1)**	(1,811)	(0.9)
Miscellaneous differences	**2,908**	**1.4**	(921)	(0.4)
	39,759	**19.3**	57,241	26.8

15. BUSINESS SEGMENT INFORMATION

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

Television

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

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

Radio

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

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

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

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

Revenues and segment profit

Three months ended August 31, 2013

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	**149,622**	**44,012**	**—**	**193,634**
Direct cost of sales, general and administrative expenses	**93,153**	**32,348**	**13,688**	**139,189**
Segment profit (loss)[1]	**56,469**	**11,664**	**(13,688)**	**54,445**
Depreciation and amortization				**6,031**
Interest expense				**10,473**
Broadcast license and goodwill impairment				**5,734**
Business acquisition, integration and restructuring costs				**5,196**
Other expense (income), net				**8,391**
Income before income taxes				**18,620**

Three months ended August 31, 2012

	Television	Radio	Corporate	Consolidated
Revenues	147,874	47,750	—	195,624
Direct cost of sales, general and administrative expenses	93,384	32,755	8,623	134,762
Segment profit (loss)[1]	54,490	14,995	(8,623)	60,862
Depreciation and amortization				6,408
Interest expense				12,242
Business acquisition, integration and restructuring costs				1,841
Other expense (income), net				(785)
Income before income taxes				41,156

[1] See definitions and discussion under Key Performance Indicators in MD&A.

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

Year ended August 31, 2013

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	619,850	183,691	—	**803,541**
Direct cost of sales, general and administrative expenses	371,071	128,543	33,915	**533,529**
Segment profit (loss)[1]	248,779	55,148	(33,915)	**270,012**
Depreciation and amortization				**26,903**
Interest expense				**46,332**
Broadcast license and goodwill impairment				**5,734**
Debt refinancing				**25,033**
Business acquisition, integration and restructuring costs				**7,343**
Gain on sale of associated company				**(55,394)**
Other expense (income), net				**8,553**
Income before income taxes				**205,508**

Year ended August 31, 2012

	Television	Radio	Corporate	Consolidated
Revenues	650,949	191,327	—	842,276
Direct cost of sales, general and administrative expenses	388,811	133,900	29,586	552,297
Segment profit (loss)[1]	262,138	57,427	(29,586)	289,979
Depreciation and amortization				25,639
Interest expense				52,269
Business acquisition, integration and restructuring costs				4,166
Other expense (income), net				(5,487)
Income before income taxes				213,392

[1]See definitions and discussion under Key Performance Indicators in MD&A.

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

Revenues are derived from the following areas:

	Three months ended **August 31,**		Year ended **August 31,**	
	2013	2012	**2013**	2012
Advertising	**84,035**	85,650	**381,475**	386,045
Subscriber fees	**74,268**	73,577	**298,971**	297,927
Merchandising, distribution and other	**35,331**	36,397	**123,095**	158,304
	193,634	195,624	**803,541**	842,276

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

16. CONSOLIDATED STATEMENT OF CASH FLOWS

Additional disclosures with respect to the consolidated statement of cash flows are as follows:

i) Interest paid, interest received and income taxes paid and classified as operating activities:

	Three months ended August 31,		Year ended August 31,	
	2013	2012	**2013**	2012
Interest paid	**12,087**	18,727	**35,346**	41,345
Interest received	**370**	235	**1,091**	692
Income taxes paid	**10,490**	14,159	**31,471**	52,992

ii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transaction:

	Three months ended August 31,		Year ended August 31,	
	2013	2012	**2013**	2012
Transactions with a related party:				
Promissory note (note 17)	**47,759**	—	**47,759**	—

17. BUSINESS COMBINATIONS AND DIVESTITURES

Transactions with Shaw Communications Inc. ("Shaw")

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

On April 30, 2013, the Company disposed of its 20% interest in Food Network Canada to Shaw Media, a division of Shaw, for $66.8 million, resulting in a gain of $55.4 million (note 4). Contemporaneously, on April 30, 2013, the Company acquired the remaining 49% interest in the voting shares of ABC Spark from Shaw, increasing its ownership interest to 100%. The carrying value of the non-controlling interest of ABC Spark at the acquisition date was $1.9 million. The $17.2 million difference between the consideration and the carrying value of the interest acquired has been recognized in retained earnings within shareholders' equity. The Company received non-interest bearing promissory notes from Shaw of $47.8 million to satisfy the net consideration in respect of these transactions.

In addition, the Company has agreed to acquire from Shaw its 50% interest in two French-language channels, Historia and Séries+ s.e.nc. ("H&S"). The sale of H&S is pending approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). The promissory notes from Shaw are due and payable on closing of the Company's acquisition of H&S from Shaw (note 18).

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

Toon Boom Animation Inc. ("Toon Boom")

On March 1, 2012, the Company acquired the remaining 50% of the outstanding ordinary shares of Toon Boom, a digital content and animation creation software company that delivers its products and services online to its global community. Previous to this transaction, the Company held 50% equity ownership and proportionately consolidated Toon Boom. The fair value of the Company's equity interest in Toon Boom before the business combination amounted to $4.1 million. The Company recorded a gain of $2.4 million as a result of remeasuring at fair value its 50% previously owned equity ownership of Toon Boom, which is recorded in other expense (income), net.

The results of operations of this company, as well as its assets and liabilities, are now included in the Television segment effective March 1, 2012 at 100%. The total cash consideration paid was $4.1 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Net assets	5,642
Goodwill	2,566
Assigned fair value of 100% of Toon Boom	8,208
Fair value of initial equity investment in Toon Boom	(4,104)
Cash consideration given	**4,104**

The Company identified intangible assets of $2.3 million and goodwill of $2.6 million, which primarily relates to the workforce and is expected to not be deductible for income tax purposes.

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

On March 4, 2013, the Company announced that it had entered into agreements (the "Bell Agreements") with Bell Media Inc. ("Bell") to acquire the 50% interest in TELETOON that it does not already own, two Ottawa based radio stations, CKQB-FM and CJOT-FM, and a 50% interest in the French-language specialty channels, Historia and Séries+ s.e.nc. ("H&S"), each of which would be acquired by Bell as part of its acquisition of Astral Media Inc. ("Astral") prior to the sale to Corus. In addition, the Company announced that it had entered into a separate agreement with Shaw to acquire the remaining 50% interest in H&S (note 17). These transactions have received Competition Bureau clearance, but are still subject to conditions, including approval by the CRTC.

The total purchase price to be paid by Corus pursuant to the transactions contemplated by the Bell Agreements is $400.6 million, subject to certain working capital adjustments. The cash consideration to be paid by Corus to Shaw, net of promissory notes from Shaw (note 17), is $93.6 million, subject to certain working capital adjustments.

On June 27, 2013, the CRTC approved Bell's acquisition of Astral. This event has satisfied one of the conditions of the Bell Agreements. The Company is in the process of seeking CRTC approval of the above mentioned acquisitions, however, if Corus is unable to consummate one or more of the transactions contemplated by the Bell Agreements under certain circumstances (including not being able to obtain CRTC Approval), Corus has agreed to indemnify Bell for any net loss up to a maximum of $400.6 million that is suffered upon a subsequent sale of the applicable assets to a third-party purchaser relative to the respective purchase prices agreed to in the Bell Agreements.

corus
ENTERTAINMENT