Corus ENTERTAINMENT

Third Quarter 2013
Report to Shareholders

For the Three and Nine Months Ended May 31, 2013
(Unaudited)

TABLE OF CONTENTS

CORUS ENTERTAINMENT INC.
Third Quarter Report to Shareholders

Highlights

Financial Highlights

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

(in thousands of Canadian dollars except per share amounts)	Three months ended May 31, 2013	2012	Nine months ended May 31, 2013	2012
Revenues				
Television	**152,982**	154,749	**470,228**	503,075
Radio	**47,078**	49,329	**139,679**	143,577
	200,060	204,078	**609,907**	646,652
Segment profit [1]				
Television	**61,816**	66,732	**192,310**	207,648
Radio	**14,874**	16,151	**43,484**	42,432
Corporate	**(8,464)**	(7,227)	**(20,227)**	(20,963)
	68,226	75,656	**215,567**	229,117
Net income attributable to shareholders	**89,913**	43,221	**148,016**	125,340
Adjusted net income attributable to shareholders [1] [2]	**34,519**	43,221	**111,110**	125,340
Basic earnings per share	**$ 1.07**	$ 0.52	**$ 1.77**	$ 1.51
Adjusted basic earnings per share [1] [2]	**$ 0.41**	$ 0.52	**$ 1.33**	$ 1.51
Diluted earnings per share	**$ 1.07**	$ 0.51	**$ 1.76**	$ 1.50
Free cash flow [1]	**44,573**	55,354	**128,432**	130,185

[1] See definitions and discussion under Key Performance Indicators in MD&A.
[2] Excludes the impact of $25.0 million ($0.22 per share) pre-tax debt refinancing costs and a gain on disposition of the Company's non-controlling interest in Food Network Canada of $55.4 million ($0.66 per share).

Significant Events in the Quarter

- On March 3, 2013, the Company announced that its programming received a total of 21 awards from the Academy of Canadian Cinema and Television's Canadian Screen Awards.
- On March 4, 2013, the Company announced that it had entered into a number of agreements with Shaw Media, and separately with Bell, that extend Corus' portfolio of Radio assets into Ottawa, consolidate Corus' ownership of ABC Spark and TELETOON, and enable Corus to expand into the Quebec specialty television market with the acquisition of the TELETOON French-language brands, as well as Historia and Séries+.
- On March 6, 2013, the Company's Bill Good (morning show host at Corus Radio Vancouver's CKNW AM 980) and Ed Mason (newscaster at Corus Radio Edmonton's 630 CHED) were each recognized with a 2013 Radio Television Digital News Association ("RTDNA") Lifetime Achievement Award.
- On March 15, 2013, the Company's OWN: Oprah Winfrey Network (Canada) maintained its status as a Category A specialty television service license following the release of the Canadian Radio-television and Telecommunications Commission's ("CRTC") decision.

- On March 15, 2013, the Company received clearance from the Competition Bureau, with the issuance of the appropriate no action letter, to proceed with the transactions between Corus and Bell to acquire TELETOON, Historia and Séries+.
- On March 20, 2013, the Company won three Crystal Awards honouring the best in radio creative.
- On March 21, 2013, three of Corus' radio stations won Canadian Music & Broadcast Industry Awards including two Station of the Year awards and a Program Director of the Year award.
- On March 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 April 6, 2013, the Company's CKNW AM 980 and 630 CHED were honoured with six 2013 RTDNA Regional Awards (5 awards - BC Region, 1 award – Prairie Region).
- On April 8, 2013, the Company's Nelvana Enterprises and Michael Eisner's The Topps Company entered into a partnership to develop a new boy's action series, *Mysticons*.
- On April 10, 2013, Corus Radio Hamilton reformatted its radio station CING-FM and launched The New 95.3 Fresh FM. This represents the fourth launch of the Fresh brand for Corus Radio.
- On April 22, 2013, the Company's television programming won three 2013 Writers Guild of Canada Screenwriting Awards in the Animation, Children & Youth and TV Comedy categories for *Sidekick*, *How To Be Indie* and *Less Than Kind*, respectively.
- On April 30, 2013, the Company paid a monthly dividend of $0.084583 per share and $0.085 per share to holders of its Class A and Class B Shares, respectively.
- On April 30, 2013, the Company acquired the remaining 49% ownership interest of ABC Spark from Shaw Communications Inc., increasing its ownership interest to 100%. In addition, the Company disposed of its 20% interest in Food Network Canada to Shaw Communications Inc.
- On May 6, 2013, the Company's Kids Can Press, the largest Canadian-owned publisher of children's books, announced its 40th anniversary with plans to mark this significant milestone through a number of family-focused activities this year.
- On May 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.

Significant Events Subsequent to 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 interests in TELETOON/TÉLÉTOON, TELETOON Retro/TÉLÉTOON Rétro, Cartoon Network (Canada), Historia and Séries+, as well as two Ottawa radio stations. This transaction, valued at $400.6 million, is expected to close by the fall of 2013.
- 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.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three and nine months ended May 31, 2013 is prepared at June 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 third quarter of fiscal 2013 was $89.9 million on revenues of $200.1 million, as compared to $43.2 million on revenues of $204.1 million in the prior year. Consolidated segment profit decreased 10% from the prior year, with decreases in the Television segment of 7% and Radio segment of 8%.

Net income attributable to shareholders for the nine month period ended May 31, 2013 was $148.0 million on revenues of $609.9 million, as compared to $125.3 million on revenues of $646.7 million in the prior year. Consolidated segment profit decreased 6% from the prior year, with Television down 7% and Radio up 2%. Further analysis is provided in the discussions of segmented results.

Revenues

Revenues from operations for the third quarter of fiscal 2013 were $200.1 million, a decrease of 2% from $204.1 million last year. Both advertising and subscriber revenues increased from the prior year by 2%, while merchandising, distribution and other revenues decreased 23%. Revenues decreased for Television by 1%, while Radio decreased by 5% in the third quarter compared to the prior year. For the nine month period ended May 31, 2013, revenues of $609.9 million represented a decrease of 6% from $646.7 million last year. Advertising and merchandising, distribution and other revenues were down 1%, and 28%, respectively, for the year-to-date, while subscriber revenues were consistent on a year-to-date basis with the prior year. Refer to discussions of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the third quarter of fiscal 2013 were $131.8 million, up 3% from $128.4 million in the prior year. This increase resulted from higher costs in the Corporate and Television reporting segments, which were offset by cost reductions in the Radio segment. For the nine month period ended May 31, 2013, expenses of $394.3 million represented a 6% decrease over the prior year and are attributable to lower costs in all reporting segments. Refer to the discussions of segmented results for additional analysis of expenses.

Depreciation and amortization

Depreciation and amortization expense of $6.9 million for the third quarter of fiscal 2013 was up $0.6 million from $6.3 million in the third quarter of fiscal 2012, while for the nine month period ended May 31, 2013, depreciation expense of $20.9 million represented a $1.6 million increase over the prior year as a result of additional amortization of intangibles.

Interest expense

Interest expense of $10.5 million in the third quarter of fiscal 2013 was $2.7 million less than the prior year, while interest expense for the nine month period of $35.9 million was $4.2 million lower than the prior year. This resulted from lower average interest rates on outstanding debt as a consequence of the issue of 4.25% Senior Unsecured Guaranteed Notes due February 11, 2020 (the “2020 Notes”) and repayment of 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 and nine months ended May 31, 2013 was 4.9% and 6.2%, compared to 7.1% and 6.9%, respectively, last year.

Debt refinancing

In the second quarter of fiscal 2013, the Company issued $550.0 million principal amount of 4.25% 2020 Notes. Concurrently, the Company provided notice of its intention to redeem the existing $500.0 million principal amount of 7.25% 2017 Notes effective March 16, 2013. The notice of redemption on the 2017 Notes resulted in the Company recording a pre-tax debt refinancing cost of $25.0 million in the second quarter of fiscal 2013. The components of this cost 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 third quarter of fiscal 2013, the Company incurred $2.1 million of costs related to completed and pending business combinations as well as integration planning. Restructuring costs of $2.3 million in the prior year were comprised of employee related expenses associated with organizational restructuring.

Other (income) expense, net

Other expense from operations for the three and nine months ended May 31, 2013 were $0.1 million and $0.2 million, respectively, compared to income of $3.5 million and $4.7 million, respectively, last year. The decrease relates to 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, as well as lower equity earnings from investees in the current year.

Income tax expense

The effective tax rate for the nine months ended May 31, 2013 was 18.5% 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 third quarter of fiscal 2013 was $89.9 million, as compared to $43.2 million last year. Earnings per share attributable to shareholders for the third quarter of fiscal 2013 were $1.07 basic and diluted compared with $0.52 basic and $0.51 diluted last year. Net income for the current quarter includes a gain from the disposition of the Company’s non-controlling interest in Food Network Canada of $55.4 million. Removing the impact of this item results in an adjusted net income attributable to shareholders of $34.5 million ($0.41 per share basic).

Net income attributable to shareholders for the nine month period ended May 31, 2013 was $148.0 million, as compared to $125.3 million last year. Earnings per share attributable to shareholders for the nine month period were $1.77 basic and $1.76 diluted, compared with $1.51 basic and $1.50 diluted in the prior year. Removing the impact of the $25.0 million debt refinancing charge incurred in the second quarter of fiscal 2013 and the $55.4 million gain from the disposition of Food Network Canada in the third quarter of fiscal 2013 results in adjusted net income attributable to shareholders of $111.1 million ($1.33 per share basic).

The weighted average number of shares outstanding (basic) for the three and nine months ended May 31, 2013, was 84,022,000 and 83,709,000, respectively, and has increased in the current year due to the issuance and exercise of stock options, 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 year-to-date was $1.6 million, compared to $1.7 million in the prior year. This decrease of $0.1 million resulted from a lower unrealized foreign currency translation gain and a decrease year-over-year on the unrealized change in fair value of available-for-sale investments.

Television

The Television division is comprised of: YTV; Treehouse; Nickelodeon (Canada); 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 Espanol), 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		Nine months ended	
	May 31,		**May 31,**	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Revenues	**152,982**	154,749	**470,228**	503,075
Expenses	**91,166**	88,017	**277,918**	295,427
Segment profit [1]	**61,816**	66,732	**192,310**	207,648

[1] As defined in "Key Performance Indicators"

Revenues decreased compared to the prior year by 1% in the third quarter of fiscal 2013, as growth of 9% in specialty advertising revenues and 2% in subscriber revenues were offset by a 26% decline in merchandising, distribution and other revenues. The increase in specialty advertising revenues was driven by double-digit growth in the Women's vertical, the success of ABC Spark and robust demand for co-view inventory, offset by continuing soft demand in the kids advertising market and lower ratings on CMT. Growth in subscriber revenues reflects the increase in Movie Central subscribers as well as the end of the free preview periods for ABC Spark. Merchandising, distribution and other revenues declined in the third quarter, as both international distribution sales and Beyblade merchandising revenues were down considerably from an exceptional prior year. On a year-to-date basis, specialty advertising revenues were up 1%, subscriber revenues were consistent, while merchandising, distribution and other revenues were down 31% from the prior year. Movie Central (including HBO Canada) ended the quarter with 1,009,000 subscribers, up 33,000 year-to-date.

Total expenses increased compared to the prior year by 4% in the third quarter of fiscal 2013. The increase 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 7% in program rights amortization, resulting from increased investment in programming to drive ratings, and higher costs tied to the production and distribution business. General and administrative expenses decreased by 8% in the quarter due to continued focus on cost control and the timing of certain expenses. On a year-to-date basis, total expenses are down 6% as both direct cost of sales and general and administrative expenses have declined year-over-year.

Segment profit decreased 7% in both the third quarter of fiscal 2013 and year-to-date. Segment profit margin decreased in the quarter to 40% from 43% last year, however, on a year-to-date basis, segment profit margin, at 41%, is 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		Nine months ended	
	May 31,		**May 31,**	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Revenues	**47,078**	49,329	**139,679**	143,577
Expenses	**32,204**	33,178	**96,195**	101,145
Segment profit[1]	**14,874**	16,151	**43,484**	42,432

[1]As defined in "Key Performance Indicators"

Revenues decreased compared to the prior year by 5% in the third quarter of fiscal 2013 and 3% year-to-date. The revenue softness in Manitoba and Ontario continued, offsetting strong ratings and economic conditions in British Columbia and Alberta.

Direct cost of sales, general and administrative expenses decreased compared to the prior year by 3% in the third quarter of fiscal 2013 and 5% year-to-date. Variable expenses for the quarter were up 1% compared to the prior year, driven by timing of copyright tariffs and sales commissions. Year-to-date variable expenses decreased 2% in line with the revenue decline. Fixed costs, which represent a much higher proportion of the cost structure, decreased 5% in the third quarter of fiscal 2013 and 6% year-to-date. The decreases in fixed costs were primarily due to lower hockey broadcast rights fees, the recognition of an Ontario Interactive Digital Media Tax Credit and decreases in year-to-date promotional spending.

Segment profit decreased 8% for the third quarter of fiscal 2013, but increased 2% year-to-date. The Radio division's margin decreased to 32% compared to 33% in the prior year. However, on a year-to-date basis, the margin increased to 31% from 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		Nine months ended	
	May 31,		**May 31,**	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Share-based compensation	**3,968**	4,020	**8,007**	7,536
Other general and administrative costs	**4,496**	3,207	**12,220**	13,427
	8,464	7,227	**20,227**	20,963

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. Share-based compensation in the third quarter of fiscal 2013 was comparable to the prior year. Higher year-to-date share-based compensation reflects a higher share price at the end of the quarter compared to the prior year and an increase in the number of units that have achieved vesting targets.

Other general and administrative costs are higher in the third quarter of fiscal 2013 as a result of timing of expense recognition in the current year's quarter compared to the prior year. Year-to-date costs are down primarily as a result of a rebate on operating costs related to Corus Quay.

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 May 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.

[thousands of Canadian dollars, except per share amounts]

	Revenues[1]	Segment profit[1] [2]	Net income attributable to shareholders[1]	Earnings per share[1] Basic	Earnings per share[1] Diluted
2013					
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
2011					
4th quarter	200,193	56,479	27,670	$ 0.34	$ 0.33

[1]Reflects results for continuing operations in fiscal 2011

[2]As defined in "Key Performance Indicators"

Significant items causing variations in quarterly results

- 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 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 on November 29, 2012, the Company provided financial guidance for the 2013 fiscal year of consolidated segment profit of $293.0 to $303.0 million, and free cash flow in excess of $140.0 million. At that time, a stronger economic environment was expected, with a recovery of GDP growth in the back half of the fiscal year. Unfortunately, that growth has not materialized to the extent contemplated.

In the Radio division, the Calgary and Vancouver markets have contributed growth due to strong ratings and economic conditions in that region, but this has been offset by ratings softness in the key Toronto and Edmonton markets. As the third quarter of fiscal 2013 commenced, there were indications of modest growth in Radio, but advertising revenue declined as the quarter unfolded to the point that overall revenue was down. This softness continued into the fourth quarter, with June being weaker than expected, but ratings have improved, notably in the key Toronto market, which is a positive sign. Radio's operating margin target for the year will be achieved through excellent cost controls, despite earnings which have been below expectations.

In the Television division, excellent advertising growth in the Women's and Family verticals is expected to continue, there are positive signs of recovery in the Kids vertical and excellent margins have been maintained year-to-date. However, as previously indicated, the merchandising, production and distribution businesses will be significantly below last year, resulting in a miss to internal forecasts.

In summary, the Company will miss the low end of the segment profit guidance for the fiscal year; however, free cash flow guidance remains unchanged.

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

Financial Position

Total assets at May 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 May 31, 2013 were $326.1 million, up $105.9 million from August 31, 2012. Cash and cash equivalents increased by $53.7 million. For additional analysis, refer to the discussion of cash flows in the next section.

Accounts receivable increased $13.6 million from year-end. The accounts receivable balance typically grows in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

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

Tax credits receivable increased $7.9 million from year-end as a result of accruals related to film and interactive productions exceeding tax credit receipts.

Intangibles, investments and other assets increased $1.8 million from year-end, primarily as a result of increases in investments offset by the disposition of Corus' 20% interest in Food Network Canada, dividends from associates and amortization of intangible assets.

Property, plant and equipment decreased $9.9 million from year-end, as depreciation expense exceeded additions for the first nine months of fiscal 2013.

Program and film rights decreased $3.7 million from year-end, as additions of acquired rights of $138.3 million were offset by amortization of $142.0 million during the first nine months of fiscal 2013.

Film investments increased $8.8 million from year-end, as film spending (net of tax credit accruals) of $26.2 million was offset by film amortization of $17.4 million.

Broadcast licenses and goodwill remained consistent with August 31, 2012 balances.

Accounts payable and accrued liabilities increased $10.7 million from year-end, as a result of higher current program rights payable, accrued liabilities and dividends payable, offset by lower financing leases payable.

Provisions decreased $1.4 million from year-end as a result of payments made relating to work-force reduction initiatives taken in late fiscal 2010 and the third quarter of fiscal 2012.

Long-term debt at May 31, 2013 was $538.5 million, up $20.2 million from year-end primarily as a result of the 2020 Notes issuance of $550.0 million, offset by repayment of the 2017 Notes of $500.0 million from the exercise of the optional redemption feature and repayment of bank debt of $30.0 million.

Other long-term liabilities increased by $1.9 million from year-end, primarily from increases in imputed interest on long-term liabilities offset by decreases in program rights payable.

Share capital increased $20.8 million from year-end, as the issuance of shares from treasury under the Company's dividend reinvestment plan and the exercise of stock options added $20.4 million and $1.1 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 $1.0 million due to the issuance of shares under the stock option plan of $2.2 million offset by share-based compensation expense of $1.2 million.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased $53.7 million over the first nine months of fiscal 2013. Free cash flow from operations for the nine months ended May 31, 2013 was $128.4 million, compared to free cash flow of $130.2 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 in the first nine months of fiscal 2013 was $137.8 million, compared to $140.6 million last year. The decrease of $2.8 million arises from lower net income from operations before non-cash items of $20.4 million; higher additions to film investments of $8.6 million offset by a decreased spend on program rights of $24.9 million; and lower working capital usage of $1.3 million.

Cash used in investing activities from operations in the first nine months of fiscal 2013 was $20.0 million, compared to $22.1 million in the prior year. The decrease of $2.1 million is attributable to a decrease of $3.3 million in additions to capital assets, the investment in Toon Boom of $4.1 million in the prior year, offset by an increase in net cash flows for intangibles, investments and other assets of $5.3 million.

Cash used in financing activities in the first nine months of fiscal 2013 was $64.1 million, compared to $117.8 million in the prior year. In the current year, the Company issued the 2020 Notes of $550.0 million, redeemed the 2017 Notes of $500.0 million and paid $26.7 million in financing fees. The bank debt was paid down by $29.9 million, $1.5 million of shares were repurchased under the Normal Course Issuer Bid, dividends of $47.3 million were paid and the Company's payments under capital leases increased by $2.4 million. In the prior year, the Company decreased bank debt by $74.8 million, repurchased $3.9 million of shares under the Normal Course Issuer Bid and paid $41.9 million in dividends.

Liquidity

As at May 31, 2013, the Company had available $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 May 31, 2013, the Company had a cash balance of $78.3 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 May 31, 2013, net debt was $460.2 million, down from $493.7 million at August 31, 2012. Net debt to segment profit at May 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 third quarter of fiscal 2013.

Outstanding Share Data

As at June 30, 2013, 3,430,292 Class A Voting Shares and 80,883,382 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 nine months ended May 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 11 to the interim consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 13 to the condensed interim consolidated financial statements.

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 May 31,		Nine months ended May 31,	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Cash provided by (used in):				
Operating activities	**47,430**	60,597	**137,847**	140,616
Investing activities	**(5,267)**	(14,715)	**(20,029)**	(22,108)
	42,163	45,882	**117,818**	118,508
Add back: cash used for business combinations and strategic investments	**2,410**	9,472	**10,614**	11,677
Free cash flow	**44,573**	55,354	**128,432**	130,185

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended May 31,		Nine months ended May 31,	
(thousands of Canadian dollars, except per share amounts)	**2013**	2012	**2013**	2012
Net income attributable to shareholders	**89,913**	43,221	**148,016**	125,340
Adjustments:				
Gain on sale of associated company, net of tax	**(55,394)**	—	**(55,394)**	—
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Notes, net of tax at 26.15%	—	—	**18,488**	—
Adjusted net income attributable to shareholders	**34,519**	43,221	**111,110**	125,340

Basic earnings per share	**$ 1.07**	$ 0.52	**$ 1.77**	$ 1.51
Adjustments:				
Gain on sale of associated company, net of tax	**($0.66)**	—	**($0.66)**	—
Debt refinancing costs related to issuance of $550.0 million of Senior Unsecured Notes, net of tax at 26.15%	—	—	**$0.22**	—
Adjusted basic earnings per share	**$ 0.41**	$ 0.52	**$ 1.33**	$ 1.51

Net Debt

(thousands of Canadian dollars)	**As at May 31, 2013**	As at August 31, 2012
Long-term debt	**538,462**	518,258
Cash and cash equivalents	**(78,281)**	(24,588)
Net debt	**460,181**	493,670

(thousands of Canadian dollars)	**As at May 31, 2013**	As at August 31, 2012
Net debt (numerator)	**460,181**	493,670
Segment profit (denominator)[1]	**276,429**	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 was included in note 3 in Corus' August 31, 2012 consolidated financial statements and note 3 in Corus' May 31, 2013 condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	**As at May 31, 2013**	As at August 31, 2012
ASSETS		
Current		
Cash and cash equivalents	**78,281**	24,588
Accounts receivable	**187,016**	173,421
Promissory note receivable (note 15)	**47,759**	—
Income taxes recoverable	—	9,542
Prepaid expenses and other	**13,035**	12,664
Total current assets	**326,091**	220,215
Tax credits receivable	**51,796**	43,865
Intangibles, investments and other assets (note 4)	**44,181**	42,390
Property, plant and equipment	**153,653**	163,563
Program and film rights (note 5)	**267,500**	271,244
Film investments (note 6)	**76,735**	67,983
Broadcast licenses	**569,505**	569,505
Goodwill	**674,393**	674,393
Deferred tax assets	**39,013**	28,327
	2,202,867	2,081,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**196,649**	185,991
Income taxes payable	**3,554**	—
Provisions	**943**	2,322
Total current liabilities	**201,146**	188,313
Long-term debt (note 7)	**538,462**	518,258
Other long-term liabilities	**89,712**	87,853
Deferred tax liabilities	**152,144**	150,971
Total liabilities	**981,464**	945,395
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**930,802**	910,005
Contributed surplus (note 8)	**6,797**	7,835
Retained earnings	**265,560**	198,445
Accumulated other comprehensive income (loss)	**831**	(812)
Total equity attributable to shareholders	**1,203,990**	1,115,473
Equity attributable to non-controlling interest	**17,413**	20,617
Total shareholders' equity	**1,221,403**	1,136,090
	2,202,867	2,081,485

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited - in thousands of Canadian dollars except per share amounts)	Three months ended May 31, 2013	Three months ended May 31, 2012	Nine months ended May 31, 2013	Nine months ended May 31, 2012
Revenues	**200,060**	204,078	**609,907**	646,652
Direct cost of sales, general and administrative expenses (note 9)	**131,834**	128,422	**394,340**	417,535
Depreciation and amortization	**6,926**	6,339	**20,872**	19,231
Interest expense (note 10)	**10,456**	13,190	**35,859**	40,027
Debt refinancing	**—**	—	**25,033**	—
Business acquisition, integration and restructuring costs	**2,147**	2,325	**2,147**	2,325
Gain on sale of associated company (note 15)	**(55,394)**	—	**(55,394)**	—
Other (income) expense, net (note 11)	**82**	(3,532)	**162**	(4,702)
Income before income taxes	**104,009**	57,334	**186,888**	172,236
Income tax expense (note 12)	**12,497**	12,387	**34,480**	41,070
Net income for the period	**91,512**	44,947	**152,408**	131,166
Net income attributable to:				
Shareholders	**89,913**	43,221	**148,016**	125,340
Non-controlling interest	**1,599**	1,726	**4,392**	5,826
	91,512	44,947	**152,408**	131,166
Earnings per share attributable to shareholders:				
Basic	**$ 1.07**	$ 0.52	**$ 1.77**	$ 1.51
Diluted	**$ 1.07**	$ 0.51	**$ 1.76**	$ 1.50
Net income for the period	**91,512**	44,947	**152,408**	131,166
Other comprehensive income (loss), net of tax:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**204**	1,434	**1,685**	1,971
Unrealized change in fair value of available-for-sale investments	**(368)**	(163)	**(42)**	(254)
	(164)	1,271	**1,643**	1,717
Comprehensive income for the period	**91,348**	46,218	**154,051**	132,883
Comprehensive income attributable to:				
Shareholders	**89,749**	44,492	**149,659**	127,057
Non-controlling interest	**1,599**	1,726	**4,392**	5,826
	91,348	46,218	**154,051**	132,883

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	—	—	148,016	1,643	149,659	4,392	154,051
Dividends declared	—	—	(62,914)	—	(62,914)	(5,715)	(68,629)
Issuance of shares under stock option plan	1,155	(2,200)	—	—	(1,045)	—	(1,045)
Issuance of shares under dividend reinvestment plan	20,350	—	—	—	20,350	—	20,350
Shares repurchased	(708)	—	(756)	—	(1,464)	—	(1,464)
Share-based compensation expense	—	1,162	—	—	1,162	—	1,162
Acquisition of non-controlling interest (note 15)	—	—	(17,231)	—	(17,231)	(1,881)	(19,112)
At May 31, 2013	**930,802**	**6,797**	**265,560**	**831**	**1,203,990**	**17,413**	**1,221,403**
At August 31, 2011	882,679	10,299	143,717	(1,075)	1,035,620	19,200	1,054,820
Comprehensive income	—	—	125,340	1,717	127,057	5,826	132,883
Dividends declared	—	—	(58,123)	—	(58,123)	(5,523)	(63,646)
Issuance of shares under stock option plan	13,669	(3,623)	—	—	10,046	—	10,046
Issuance of shares under dividend reinvestment plan	19,229	—	—	—	19,229	—	19,229
Shares repurchased	(2,110)	—	(1,778)	—	(3,888)	—	(3,888)
Share-based compensation expense	—	890	—	—	890	—	890
At May 31, 2012	913,467	7,566	209,156	642	1,130,831	19,503	1,150,334

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended May 31, 2013	Three months ended May 31, 2012	Nine months ended May 31, 2013	Nine months ended May 31, 2012
OPERATING ACTIVITIES				
Net income for the period	**91,512**	44,947	**152,408**	131,166
Add (deduct) non-cash items:				
Depreciation and amortization	**6,926**	6,339	**20,872**	19,231
Amortization of program and film rights	**49,476**	46,317	**142,077**	139,805
Amortization of film investments	**7,691**	4,002	**17,399**	21,949
Deferred income taxes	**(3,250)**	(51)	**(9,976)**	4,735
Share-based compensation expense	**430**	298	**1,162**	890
Imputed interest	**2,526**	2,894	**7,679**	8,904
Debt refinancing	**—**	—	**25,033**	—
Gain on sale of associated company	**(55,394)**	—	**(55,394)**	—
Gain on acquisition	**—**	(2,383)	**—**	(2,383)
Other	**(404)**	(2,000)	**(118)**	(2,790)
Net change in non-cash working capital balances related to operations	**1,521**	11,466	**(8,025)**	(9,260)
Payment of program and film rights	**(38,895)**	(44,841)	**(106,327)**	(131,267)
Net additions to film investments	**(14,709)**	(6,391)	**(48,943)**	(40,364)
Cash provided by operating activities	**47,430**	60,597	**137,847**	140,616
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(2,856)**	(5,501)	**(10,328)**	(13,585)
Business combination	**—**	(4,104)	**—**	(4,104)
Net cash flows for intangibles, investments and other assets	**(2,321)**	(4,868)	**(9,287)**	(3,859)
Other	**(90)**	(242)	**(414)**	(560)
Cash used in investing activities	**(5,267)**	(14,715)	**(20,029)**	(22,108)
FINANCING ACTIVITIES				
Decrease in bank loans	**—**	(40,103)	**(29,925)**	(74,777)
Issuance of notes	**—**	—	**550,000**	—
Redemption of notes	**(500,000)**	—	**(500,000)**	—
Financing fees	**(18,125)**	—	**(26,732)**	—
Issuance of shares under stock option plan	**135**	1,709	**884**	10,046
Shares repurchased	**—**	—	**(1,464)**	(3,888)
Dividends paid	**(14,586)**	(13,705)	**(41,584)**	(37,525)
Dividends paid to non-controlling interest	**(599)**	—	**(5,715)**	(4,423)
Other	**(4,488)**	(2,722)	**(9,589)**	(7,227)
Cash used in financing activities	**(537,663)**	(54,821)	**(64,125)**	(117,794)
Net change in cash and cash equivalents during the period	**(495,500)**	(8,939)	**53,693**	714
Cash and cash equivalents, beginning of the period	**573,781**	65,575	**24,588**	55,922
Cash and cash equivalents, end of the period	**78,281**	56,636	**78,281**	56,636

Supplemental cash flow disclosures (note 14)

See accompanying notes

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 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 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 financial statements have been authorized for issue in accordance with a resolution of the Audit Committee, as delegated by the Board of Directors, on July 10, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim 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 consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

Changes in accounting policies

IAS 12 *Income Taxes*

In December 2010, the IASB amended IAS 12 for the recovery of underlying assets measured at fair value and the impact on deferred taxes. The amendments provide a solution to the problem of assessing whether recovery would be through use or through sale when the asset is measured at fair value under IAS 40 *Investment Property*, by adding the presumption that the recovery would normally be through sale. The amendment also incorporates the remaining guidance in SIC-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets* as SIC-21 has been withdrawn. The effective date of the amendment is for annual periods beginning on or after January 1, 2012. The Company has assessed the impact of this amendment and there is no impact on its consolidated financial statements.

IAS 1 *Presentation of Financial Statements*

The IASB amended IAS 1 by revising how certain items are presented in other comprehensive income ("OCI"). Items within OCI that may be reclassified to income will be separated from items that will not. The standard is effective for fiscal years beginning on or after July 1, 2012 with early adoption permitted. The Company has adopted IAS 1 retrospectively and there are minimal disclosure differences.

Pending accounting changes

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the Board also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard for annual periods beginning on or after January 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

In December 2011, the IASB amended both IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures* by moving the disclosure requirements in IAS 32 to IFRS 7 and enhancing the disclosures about offsetting financial assets and liabilities. The effective date of the amendments is for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted but must be applied together with IFRS 9. The Company is in the process of reviewing the standard to determine the timing of adoption and the impact on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes SIC-12 *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 11 *Joint Arrangements*

This new standard provides the accounting for joint arrangements, joint ventures and joint operations. The standard eliminates the use of the proportionate consolidation method to account for joint ventures. Joint ventures will be accounted for using the equity method of accounting while for a joint operation, the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. The new standard will be effective for Corus for its 2014 fiscal year with retroactive application to September 1, 2012. Corus currently proportionately consolidates its jointly controlled entities. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of and risks associated with an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 *Consolidated and Separate Financial Statements,* IAS 31 *Joint Ventures* and IAS 28 *Investment in Associates*. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 defines fair value and establishes disclosures about fair value measurement. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

The IASB also amended IAS 28, an existing standard, to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 12. The effective date of this amendment is for the Company's fiscal year commencing September 1, 2013. The Company is in the process of reviewing the impact of this change.

(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)	7,447	(9,308)	7,495	5,634
Amortization of intangible assets	(3,310)	—	—	(3,310)
Fair value adjustment	—	(485)	(48)	(533)
Balance - May 31, 2013	**17,589**	**10,645**	**15,947**	**44,181**

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 15).

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2012	271,244
Net additions	138,333
Amortization	(142,077)
Balance - May 31, 2013	**267,500**

6. FILM INVESTMENTS

Balance - August 31, 2012	67,983
Net additions	26,151
Amortization	(17,399)
Balance - May 31, 2013	**76,735**

7. LONG-TERM DEBT

	As at May 31, 2013	As at August 31, 2012
Bank loans	—	29,965
Senior unsecured guaranteed notes	**550,000**	500,000
Unamortized financing fees	**(11,538)**	(11,707)
	538,462	518,258

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at May 31, 2013, the weighted average interest rate on the outstanding bank loans and notes was 4.3% (2012 – 7.1%). Interest on the bank loans and notes averaged 4.9% for the third quarter and 6.2% year-to-date of fiscal 2013 (2012 – 7.1% and 6.9%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at May 31, 2013.

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

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 28, 2013, the Company’s $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to extend the maturity date to February 11, 2017.

8. SHARE CAPITAL

Authorized

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

Issued and outstanding

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	—	—	867,334	20,350	20,350
Shares repurchased	—	—	(64,104)	(708)	(708)
Balance as at May 31, 2013	**3,430,292**	**26,564**	**80,781,814**	**904,238**	**930,802**

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 May 31,		Nine months ended May 31,	
	2013	2012	**2013**	2012
Net income attributable to shareholders (numerator)	**89,913**	43,221	**148,016**	125,340
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**84,022**	83,751	**83,709**	83,244
Effect of dilutive securities	**353**	306	**320**	334
Weighted average number of shares outstanding - diluted	**84,375**	84,057	**84,029**	83,578

The calculation of diluted earnings per share for both the third quarter and year-to-date of fiscal 2013 excluded nil (2012 – nil and 470,100) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

Share-based compensation

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

	May 31, 2013	August 31, 2012
Outstanding employee stock options	**2,158,073**	1,816,098
Exercisable employee stock options	**1,063,380**	970,436
Outstanding PSUs	**910,272**	885,067
Outstanding DSUs	**725,830**	633,703
Outstanding RSUs	**138,057**	89,874

Share-based compensation expense recorded for the third quarter and year-to-date of fiscal 2013 in respect of these plans was $3,968 and $8,007 (2012 - $4,020 and $7,536). As at May 31, 2013, the value of the PSU, DSU and RSU units was $42,598 (August 31, 2012 - $37,240).

During the third quarter of fiscal 2013, the Company approved the settlement of 200,000 stock options for a cash consideration of $1.9 million. The fair value of the cash settlement did not exceed the fair value of the equity settlement and as a result, the amount was recorded as a reduction to contributed surplus.

Dividend reinvestment plan

In fiscal 2013, the Company issued 867,334 Class B Non-Voting Shares, resulting in an increase in share capital of $20,350.

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

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 may 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 - $1,778), which was charged to retained earnings.

9. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **May 31,**		Nine months ended **May 31,**	
	2013	2012	**2013**	2012
Amortization of program rights	**49,476**	46,317	**142,077**	139,805
Amortization of film investments	**7,691**	4,002	**17,399**	21,949
Other cost of sales	**5,041**	6,140	**26,626**	39,617
Employee costs	**39,019**	37,984	**112,677**	111,986
Other general and administrative	**30,607**	33,979	**95,561**	104,178
	131,834	128,422	**394,340**	417,535

10. INTEREST EXPENSE

	Three months ended **May 31,**		Nine months ended **May 31,**	
	2013	2012	**2013**	2012
Interest on long-term debt	**7,430**	9,671	**26,895**	29,471
Imputed interest on long-term liabilities	**2,524**	2,894	**7,677**	8,904
Other	**502**	625	**1,287**	1,652
	10,456	13,190	**35,859**	40,027

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

11. OTHER EXPENSE (INCOME), NET

	Three months ended		Nine months ended	
	May 31,		**May 31,**	
	2013	2012	**2013**	2012
Interest income	**(368)**	(382)	**(721)**	(457)
Foreign exchange losses	**275**	593	**748**	1,110
Share of earnings of associates	**(511)**	(894)	**(326)**	(1,651)
Gain on acquisition	—	(2,383)	—	(2,383)
Other	**686**	(466)	**461**	(1,321)
	82	(3,532)	**162**	(4,702)

12. INCOME TAXES

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

	Fiscal 2013		Fiscal 2012	
	$	**%**	$	%
Tax at combined federal and provincial rates:	**49,454**	**26.5**	46,214	26.8
Income subject to tax at less than statutory rates	**(871)**	**(0.5)**	(3,029)	(1.8)
Non-taxable portion of capital gains	**(10,153)**	**(5.4)**	—	—
Impact of benefit of tax losses not previously recognized	**(7,190)**	**(3.8)**	—	—
Miscellaneous differences	**3,240**	**1.7**	(2,115)	(1.2)
	34,480	**18.5%**	41,070	23.8

13. BUSINESS SEGMENT INFORMATION

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

Television

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

Radio

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

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

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.

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

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 May 31, 2013

	Radio	**Television**	**Corporate**	**Consolidated**
Revenues	**47,078**	**152,982**	—	**200,060**
Direct cost of sales, general and administrative expenses	**32,204**	**91,166**	**8,464**	**131,834**
Segment profit (loss)[1]	**14,874**	**61,816**	**(8,464)**	**68,226**
Depreciation and amortization				**6,926**
Interest expense				**10,456**
Business acquisition, integration and restructuring costs				**2,147**
Gain on sale of associated company				**(55,394)**
Other expense, net				**82**
Income before income taxes				**104,009**

Three months ended May 31, 2012

	Radio	Television	Corporate	Consolidated
Revenues	49,329	154,749	—	204,078
Direct cost of sales, general and administrative expenses	33,178	88,017	7,227	128,422
Segment profit (loss)[1]	16,151	66,732	(7,227)	75,656
Depreciation and amortization				6,339
Interest expense				13,190
Business acquisition, integration and restructuring costs				2,325
Other income, net				(3,532)
Income before income taxes				57,334

Nine months ended May 31, 2013

	Radio	**Television**	**Corporate**	**Consolidated**
Revenues	**139,679**	**470,228**	—	**609,907**
Direct cost of sales, general and administrative expenses	**96,195**	**277,918**	**20,227**	**394,340**
Segment profit (loss)[1]	**43,484**	**192,310**	**(20,227)**	**215,567**
Depreciation and amortization				**20,872**
Interest expense				**35,859**
Debt refinancing				**25,033**
Business acquisition, integration and restructuring costs				**2,147**
Gain on sale of associated company				**(55,394)**
Other expense, net				**162**
Income before income taxes				**186,888**

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

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

Nine months ended May 31, 2012

	Radio	Television	Corporate	Consolidated
Revenues	143,577	503,075	—	646,652
Direct cost of sales, general and administrative expenses	101,145	295,427	20,963	417,535
Segment profit (loss)[1]	42,432	207,648	(20,963)	229,117
Depreciation and amortization				19,231
Interest expense				40,027
Business acquisition, integration and restructuring costs				2,325
Other income, net				(4,702)
Income before income taxes				172,236

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

Revenues are derived from the following areas:

	Three months ended **May 31,** 2013	Three months ended **May 31,** 2012	Nine months ended **May 31,** 2013	Nine months ended **May 31,** 2012
Advertising	**99,040**	97,076	**297,440**	300,395
Subscriber fees	**75,924**	74,285	**224,703**	224,350
Merchandising, distribution and other	**25,096**	32,717	**87,764**	121,907
	200,060	204,078	**609,907**	646,652

14. CONSOLIDATED STATEMENT OF CASH FLOWS

Disclosure with respect to the Consolidated Statements of Cash Flows is as follows:

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

	Three months ended **May 31,** 2013	Three months ended **May 31,** 2012	Nine months ended **May 31,** 2013	Nine months ended **May 31,** 2012
Interest paid	**3,848**	1,331	**23,259**	22,618
Interest received	**368**	382	**721**	457
Income taxes paid	**11,229**	10,774	**31,328**	38,833

ii) Non-cash transactions:

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

	Three months ended **May 31,** 2013	Three months ended **May 31,** 2012	Nine months ended **May 31,** 2013	Nine months ended **May 31,** 2012
Transactions with a related party:				
Promissory note (note 15)	**47,759**	—	**47,759**	—

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

15. 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 net liabilities of ABC Spark at the acquisition date was $1.9 million and the carrying value of the additional interest acquired was $1.9 million. The $17.1 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 a non-interest bearing promissory note of $47.8 million from Shaw to satisfy the net consideration in respect of these transactions. The promissory note is due on the earlier of the closing of the Company's acquisition of Historia and Séries+ from Shaw or September 30, 2013.

In addition, the Company has agreed to acquire from Shaw its 50% interest in its two French-language channels, Historia and Séries+. The sale of Historia and Séries+ is expected to occur in the fall of 2013.

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.

16. COMMITMENTS AND CONTINGENCIES

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. Concurrently, the Company announced that it had entered into a separate agreement with Shaw to acquire the remaining 50% interest in H&S. These transactions have received Competition Bureau clearance, but are still subject to conditions, including approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").

The net cash consideration to be paid by the Company for these acquisitions is $494.0 million, subject to working capital adjustments.

On June 27, 2013, subsequent to the Company's quarter-end, 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.