Corus Entertainment

Second Quarter 2012
Report to Shareholders

For the Three and Six Months Ended February 29, 2012
(Unaudited)

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CORUS ENTERTAINMENT INC.
Second 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		Six months ended	
	February 29,	February 28,	**February 29,**	February 28,
	2012	2011	**2012**	2011
Revenues				
Television	**163,299**	148,429	**348,326**	315,946
Radio [1]	**42,384**	42,647	**94,248**	97,286
	205,683	191,076	**442,574**	413,232
Segment profit				
Television	**60,421**	59,923	**140,916**	140,192
Radio [1]	**9,879**	9,672	**26,281**	28,186
Corporate	**(8,053)**	(9,617)	**(13,736)**	(17,740)
	62,247	59,978	**153,461**	150,638
Net income attributable to shareholders:				
From continuing operations	**31,571**	27,291	**82,119**	73,489
From discontinued operations	**—**	3,501	**—**	5,023
	31,571	30,792	**82,119**	78,512
Basic earnings per share attributable to shareholders:				
From continuing operations	**$ 0.38**	$ 0.34	**$ 0.99**	$ 0.90
From discontinued operations	**—**	$ 0.04	**—**	$ 0.06
	$ 0.38	$ 0.38	**$ 0.99**	$ 0.96

[1] Reflects the disposition of the Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.

Significant Events in the Quarter

- On December 6, 2011, the Company was honoured with The Learning Partnership's 2011 Canada's Outstanding Employer Awards for its Take Our Kids to Work™ program.
- On December 16, 2011, the Company made a minority investment in Supernova Interactive, which launched the SoCast SRM (Social Relationship Management) suite of software which builds social media communities for broadcasters. Corus will begin to roll out the SoCast SRM platform across its portfolio of radio stations in 2012 to enhance the online experience for its users.
- On December 30, 2011 and January 31, 2012, the Company paid a monthly dividend of $0.072083 and $0.0725 to holders of its Class A and Class B Shares, respectively.
- On January 10, 2012, the Company announced that its Board of Directors had approved a 10% increase in its annual dividend. The Company's monthly dividend for holders of its Class A and Class B Shares was increased to $0.079583 and $0.08, respectively or $0.955 and $0.96, respectively on an annual basis.
- On January 25, 2012, through donations, special events and corporate matching of employee online donations, the Company raised over $430,000 in support of United Way and its many charitable organizations across the country.
- On January 27, 2012, Dominion Bond Rating Service (DBRS) confirmed Corus Entertainment's rating on its Senior Unsecured Guaranteed Notes ("Notes") at BBB- and on February 27, 2012, Standard and Poors (S&P) confirmed Corus Entertainment's rating on its Notes at BB+.

- On February 2, 2012, the Company was recognized with two prestigious IR Magazine Canada 2012 awards including Best Investor Relations by Sector - Leisure and Media and Best Investor Relations by a CFO (Tom Peddie) for a mid-cap company.
- On February 14, 2012, the Company reformatted its Winnipeg radio station CJGV-FM and launched The New 99.1 Fresh FM, bringing listeners the freshest music of today and the best hits from yesterday.
- On February 21, 2012, the Company announced that, for the fourth year in a row, Corus Entertainment was named one of Canada's Best Diversity Employers for 2012 by Mediacorp Canada Inc.
- On February 29, 2012, the Company paid a monthly dividend of $0.079583 and $0.08 to holders of its Class A and Class B Shares, respectively.
- On February 29, 2012, the Company's OWN: Oprah Winfrey Network (Canada) announced that Oprah Winfrey will bring her popular series, *Oprah's Lifeclass Tour*, to Toronto, to tape a live show which will air on OWN on Monday, April 16, 2012.

Significant Events Subsequent to the Quarter

- On March 1, 2012, Corus reached an agreement with the minority shareholders of Toon Boom Animation Inc. to acquire their shares and assume 100% interest of the company. Toon Boom Animation Inc. is a global leader in digital content and animation creation solutions with a worldwide sales, distribution and support network, selling its products in more than 120 countries.
- On March 5, 2012, the Company's $500 million credit facility was amended to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2016.
- On March 7, 2012, the Company's CKNW AM 980 was honoured with three 2012 RTNDA Canada Awards including the Sam Ross Award for Editorial/Commentary, the Dave Rogers Award for Long Feature and the Ron Laidlaw Award for Continuing Coverage.
- On March 12, 2012, the Company exercised its right to acquire the Corus Quay building from Toronto Port Lands Company ("TPLC") and subsequently sold the building to H&R REIT on the same date for the same cash consideration. As part of the agreement, the long-term lease has been restructured on terms favourable to both parties. Under those terms, the Company will extend the original 20-year lease term, with options to renew its lease for an additional 20 years.
- On March 15, 2012, Corus Radio introduced an updated version of its iPhone streaming app which allows users to set their favourite Corus radio station, read station news and information and get the latest from station social media feeds including Facebook, Twitter, YouTube and much more.
- On March 22, 2012, the Company's morning show host on Q107 Toronto, John Derringer, received the Allan Waters Broadcast Lifetime Achievement Award and was inducted into the Canadian Broadcast Industry Hall of Fame.
- On March 22, 2012, the Company won three 2012 Canadian Music & Broadcast Industry Awards including: Station of the Year (Country), Country 105, Calgary; Station of the Year (Rock), 102.1 the Edge, Toronto; and Program Director of the Year (Medium Market), Brad Gibb, FM 96, London.
- On March 23, 2012, the Company ceased the operations of its Category 2 digital service, Dusk.
- On March 25, 2012, the Company's Toronto headquarters, Corus Quay, hosted the 2012 BEYBLADE World Championships. The event featured national battle champions from 25 countries competing for the coveted title of World's Best BEYBLADER and was broadcast live at www.beyblade.com.
- On March 26, 2012, the Company launched its newest service, ABC Spark, with the season premiere of the critically acclaimed *The Secret Life of the American Teenager*. ABC Spark, built on the foundation of the successful U.S. brand ABC Family, will also feature a slate of popular general entertainment programming that will complement the primetime lineup.
- On March 30, 2012, the Company paid a monthly dividend of $0.079583 and $0.08 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 six months ended February 29, 2012 is prepared at March 30, 2012. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in our August 31, 2011 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 (from Continuing Operations)

The following discussion describes the significant changes in the consolidated income statement from continuing operations.

Net income attributable to shareholders for the second quarter 2012 was $31.6 million on revenues of $205.7 million, up 16% compared to $27.3 million on revenues of $191.1 million in the prior year. Television segment profit increased 1% from the prior year, while Radio increased 2%.

Net income attributable to shareholders for the six month period ended February 29, 2012 was $82.1 million on revenues of $442.6 million, as compared to $73.5 million on revenues of $413.2 million in the prior year. Television segment profit increased 1%, while Radio was down 7%. Further analysis is provided in the discussions of segmented results.

Our consolidated results for fiscal 2011 reflect the disposition of the Company's Quebec Radio operations, which occurred on February 1, 2011, as discontinued operations in all periods presented.

Revenues

Revenues from continuing operations for the second quarter 2012 were $205.7 million, an increase of 8% from $191.1 million last year. Subscriber revenues remained consistent with the prior year, advertising revenues grew 2%, and merchandising, distribution and other revenues increased 38% for the second quarter 2012 from the prior year. Revenues increased for Television by 10%, with Radio decreasing 1% in the second quarter 2012 from the prior year. For the six month period 2012, revenues from continuing operations of $442.6 million represented an increase of 7% from $413.2 million last year. Subscriber and advertising revenues for the six month period 2012 were consistent with the prior year. Merchandising, distribution and other revenues for the six month period 2012 increased 45% over the prior year. Television revenues increased 10% and Radio revenues decreased 3% in the six month period 2012. Refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses from continuing operations for the second quarter were $143.4 million, up 9% from $131.1 million in the prior year. For the six month period 2012, expenses of $289.1 million represented a 10% increase over the prior year. For both the second quarter and six month periods, the year over year increase results from higher costs in the Television division, offset by lower costs in Corporate and Radio. Refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense for the second quarter 2012 was $6.7 million, an increase of $0.6 million over the prior year, while for the six month 2012 period, depreciation expense of $12.9 million represented a $0.7 million increase over the prior year. This increase reflects depreciation expense for a full six months of fiscal 2011 capital expenditures relating to the Corus Quay build out.

Interest expense

The second quarter 2012 interest of $13.4 million was $1.3 million less than the prior year, while interest expense for the six month 2012 period of $26.8 million was $2.0 million lower than prior year. This was a result of lower average floating rate debt balances throughout fiscal 2012 as well as lower interest margins which were a result of amendments to the credit facility in March 2011. The effective interest rate on bank loans and notes for the six months ended February 29, 2012 at 6.8% was consistent with the same comparable period last year.

Restructuring expense

Restructuring expense of $2.3 million in the six months ended February 28, 2011 is comprised of employee-related expenses associated with organizational restructuring and redundant rents for facilities vacated subsequent to moving to the Corus Quay location.

Other income, net

Other income from continuing operations for the six month period was $1.2 million, consistent with the prior year.

Income tax expense

The effective tax rate for the six months ended February 29, 2012 was 24.9%, compared to the Company's 26.8% statutory rate.

Net income and earnings per share from continuing operations

Net income attributable to shareholders for the second quarter 2012 was $31.6 million, as compared to $27.3 million last year. Earnings per share for the second quarter were $0.38 basic and diluted, compared to $0.34 basic and $0.33 diluted last year.

Net income attributable to shareholders for the six month period 2012 was $82.1 million, as compared to $73.5 million last year. Earnings per share from continuing operations for the six month period were $0.99 basic and diluted, compared with $0.90 basic and diluted in the prior year.

The weighted average number of shares outstanding (basic) for the three month and six months ended February 29, 2012 was 82,921,000 and 82,675,000 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 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 $0.4 million, compared to a loss of $1.4 million in the prior year. This income results primarily from a change in the unrealized foreign currency translation adjustment.

Television

The Television division is comprised of: YTV; Treehouse TV; Nickelodeon (Canada); ABC Spark, W Network, OWN: Oprah Winfrey Network (Canada) (rebranded from VIVA March 1, 2011), 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 and Kids Can Press; the Company's majority interest in CMT (Canada), Telelatino (TLN, Euro World Sport, Mediaset Italia, SkyTG 24, Teleninos, TLN En Espanol), Dusk and Cosmopolitan TV, and a 50% interest in TELETOON and TELETOON Retro (English and French).

Financial Highlights

	Three months ended		Six months ended	
(thousands of Canadian dollars)	**February 29, 2012**	February 28, 2011	**February 29, 2012**	February 28, 2011
Revenues	**163,299**	148,429	**348,326**	315,946
Expenses	**102,878**	88,506	**207,410**	175,754
Segment profit	**60,421**	59,923	**140,916**	140,192

Revenues increased 10% in the second quarter 2012, driven by a triple digit increase in merchandise revenue and a 4% increase in specialty advertising revenue, while subscriber revenue remained comparable with the prior year. The increase in specialty advertising revenue in the quarter resulted from double digit growth on our portfolio of Women's brands, which offset softer demand in kids advertising. Subscriber revenue in the quarter reflects growth on Movie Central and Cosmopolitan TV, offset by minor declines on our more mature channels. Merchandise revenue growth for the quarter was driven largely by the continued strong performance of Beyblade. On a year-to-date basis, specialty advertising revenue was up 4% from the prior year while subscriber revenue remained comparable with the prior year. Merchandise, distribution and other revenue have increased 55%, predominantly as a result of the Nelvana merchandising and distribution business. Movie Central (including HBO Canada) ended the second quarter 2012 with 988,000 paid subscribers.

Direct cost of sales, general and administrative expenses increased 16% in the second quarter 2012 and 18% year-to-date. The increase in direct cost of sales was driven by the exceptional growth of our merchandising sales. Amortization of program rights increased 8% for the quarter and 9% year-to-date due to higher Canadian programming spending requirements which are tied to prior year's revenue and increased program investment across all channels, particularly OWN (which launched in Q3 2011) and our pay television networks. General and administrative expenses increased 16% in the quarter and 10% year-to-date as a result of the timing of marketing expenditures, investment in our new media initiatives, costs related to the OWN network and variable costs associated with increased revenues.

Segment profit increased 1% for the second quarter 2012 and year-to-date. Segment profit margin was 37% for the quarter and 40% year-to-date. Segment profit margin has declined year over year largely due to fiscal 2012 having a higher proportion of lower margin merchandising business, increased investment in programming, marketing and new media initiatives to drive future revenue growth, and the costs associated with OWN which were not incurred in the first six months of fiscal 2011.

Radio

The Radio division is comprised of 37 radio stations situated primarily in seven of the ten largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of revenues and audience reach.

Financial Highlights

(thousands of Canadian dollars)	Three months ended February 29, 2012	Three months ended February 28, 2011	Six months ended February 29, 2012	Six months ended February 28, 2011
Revenues	**42,384**	42,647	**94,248**	97,286
Expenses	**32,505**	32,975	**67,967**	69,100
Segment profit	**9,879**	9,672	**26,281**	28,186

Revenues for the second quarter 2012 decreased 1%, and decreased 3% for the year-to-date compared to the prior year. Revenue growth in Vancouver, Alberta and Winnipeg was offset by declines in Ontario in the second quarter. On a year-to-date basis, growth in Vancouver and Winnipeg was offset by declines in Alberta and Ontario.

Direct cost of sales, general and administrative expenses for the second quarter 2012 decreased 1% from the prior year, and decreased 2% for the year-to-date. Variable expenses decreased 3% for the quarter and 6% for the year-to-date, primarily due to lower sales commissions. Fixed costs, which represent a much higher proportion of the cost structure, decreased 1% for the quarter and increased 1% for the year-to-date. The decrease in the quarter was due largely to lower employee costs whereas the increase for the year-to-date was related to programming.

Segment profit increased 2% for the second quarter and decreased 7% for the year-to-date. The Radio division's margin remained flat with prior year for the quarter at 23% and decreased from 29% in the prior year, to 28% on a year–to-date basis. The year-to-date decrease is primarily as a result of the revenue decline.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, results of Corus Radio's Quebec segment for the 2011 fiscal year were retroactively restated as discontinued operations for all periods presented.

Corporate

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended **February 29, 2012**	Three months ended February 28, 2011	Six months ended **February 29, 2012**	Six months ended February 28, 2011
Share-based compensation	**2,441**	2,740	**3,516**	5,029
Other general and administrative costs	**5,612**	6,877	**10,220**	12,711
	8,053	9,617	**13,736**	17,740

Share-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), Restricted Share Units ("RSUs"), stock options and other long-term incentive plans. The expense fluctuates with changes in assumptions, primarily due to the Company's share price and number of units vested. The decrease in share-based compensation in second quarter 2012 and year-to-date reflects a lower share price and fewer units vested compared to the prior year.

Other general and administrative costs have decreased in the second quarter 2012 and year-to-date, essentially as a result of lower accruals in fiscal 2012 for employee benefits. Specifically, as a result of early adopting the revised version of IAS 19, *Employee Benefits,* the Company expensed $1.7 million related to unrecognized past service costs awarded to employees under post-employment benefit plans in the second quarter fiscal 2011 as part of its IFRS transition.

Quarterly Consolidated Financial Information

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2011, 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 February 29, 2012.

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

	Revenues [1]	Segment profit[1]	Net income attributable to shareholders[1]	Earnings per share [1] Basic	Earnings per share [1] Diluted
2012					
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
3rd quarter	211,788	78,769	40,352	$ 0.49	$ 0.49
2nd quarter	191,076	59,978	27,291	$ 0.34	$ 0.34
1st quarter	222,156	90,660	46,198	$ 0.57	$ 0.56
2010					
4th quarter [2]	187,436	51,517	4,164	$ 0.05	$ 0.05
3rd quarter [2]	198,387	69,447	29,272	$ 0.36	$ 0.36

[1] Reflects results for continuing operations

[2] The fiscal 2010 quarters presented above have not been restated to IFRS and are as originally reported under Canadian GAAP

Significant items causing variations in quarterly results

- Net income for the fourth quarter of fiscal 2010 was negatively impacted by a charge of $12.9 million related to the Company's organizational restructuring to streamline operating processes.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $6.0 million related to the new Radio tariffs introduced in July 2010.

Risks and Uncertainties

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2011.

Outlook

At its annual Investor Day on November 30, 2011, the Company updated investors on the Company's fiscal 2012 strategic priorities and provided near-term financial guidance for the 2012 fiscal year. In particular, the Company announced its fiscal 2012 guidance targets of consolidated segment profit of $300.0 to $310.0 million, and free cash flow in excess of $125.0 million. Although the third quarter of fiscal 2012 will be challenging compared to the prior year and visibility continues to be limited, our annual guidance remains unchanged.

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

Financial Position

Total assets at February 29, 2012 and August 31, 2011 were $2.1 billion. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2011.

Current assets at February 29, 2012 were $257.7 million, up $9.2 million from August 31, 2011. Cash and cash equivalents increased by $9.7 million. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased $3.4 million from year-end. The accounts receivable balance typically grows in the first quarter and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased $13.6 million from year-end as a result of accruals related to film production.

Intangibles, investments and other assets increased $0.8 million from year-end primarily as a result of increases in equity investments offset by amortization of intangibles.

Property, plant and equipment decreased $4.8 million from year-end as spending on the Corus Quay build-out was completed in fiscal 2011 and accordingly, depreciation expense exceeded additions in the first six months of fiscal 2012.

Program and film rights increased $7.6 million from year-end, as additions of acquired rights of $101.1 million were offset by amortization of $93.5 million during the first six months of fiscal 2012.

Film investments decreased $4.3 million from year-end, as film spending (net of tax credit accruals) of $13.6 million was offset by film amortization of $17.9 million.

Broadcast licenses and goodwill balances remained consistent with August 31, 2011.

Accounts payable and accrued liabilities increased $6.9 million from year-end as a result of higher program rights payable offset by lower accrued liabilities. The decrease in accrued liabilities is related to lower compensation accruals offset by slightly higher third party participation fees related to the merchandise business and higher dividend accruals.

Provisions decreased $2.2 million from payments made relating to work-force reduction initiatives taken in late fiscal 2010.

Long-term debt at February 29, 2012 was $567.4 million, down $33.4 million from year-end as a result of utilizing cash from operations to pay down bank debt. Other long-term liabilities decreased by $16.0 million from year-end as a result of decreases in program rights payable, unearned revenues and capital lease accruals.

Share capital increased $22.2 million from year-end as the exercise of stock options and issuance of shares from treasury under the Company's dividend reinvestment plan added $11.4 million and $12.8 million, respectively to share capital which was offset by $2.1 million in costs related to shares repurchased under the normal course issuer bid. Contributed surplus decreased $2.5 million as a result of stock option exercises.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased $9.7 million over the first six months of fiscal 2012. Free cash flow from continuing operations for the second quarter of fiscal 2012 was $48.6 million, compared to free cash flow of $56.9 million in the prior year. This decrease in free cash flow reflects lower cash from operating activities offset by reduced investment activities, especially in the area of capital additions. Free cash flow from continuing operations for the six months ended February 29, 2012 was $72.6 million, compared to free cash flow of $57.9 million in the prior year. This increase in free cash flow reflects the lower capital additions in fiscal 2012 offset by lower cash flows from operating activities. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities from continuing operations in the first six months of fiscal 2012 was $80.0 million, compared to $90.0 million last year. The decrease of $10.0 million arises from an increased spend on program rights of $13.3 million, a higher working capital usage of $18.3 million, offset by an increase in net income from continuing operations, before non-cash items and discontinued operations of $22.5 million.

Cash used in investing activities from continuing operations in the first six months of fiscal 2012 was $7.4 million, compared to cash used of $32.1 million last year. The decrease of $24.7 million in the current year is attributable to reduced additions to capital assets of $19.1 million and a decrease in investments and other assets, net of $5.3 million.

Cash used in financing activities in the first six months of fiscal 2012 was $63.0 million, compared to $71.1 million in the prior year. In fiscal 2012, the Company repurchased $3.9 million of shares under the normal course issuer bid and paid down $34.7 million of bank debt. In the prior year, the Company used the proceeds from the sale of the Quebec Radio segment to repay a portion of bank debt.

Liquidity

As at February 29, 2012, the Company has available approximately $420.0 million under a revolving term credit facility. On March 5, 2012, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and a one year extension of the maturity date to February 11, 2016. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at February 29, 2012, the Company had a cash balance of $65.6 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 February 29, 2012, net debt was $501.8 million, down from $544.9 million at August 31, 2011. Net debt to segment profit at February 29, 2012 was 1.7 times compared to 1.9 times at August 31, 2011.

Contractual commitments

The Company has added no significant unfulfilled contractual obligations in the first six months of fiscal 2012.

Outstanding Share Data

As at March 30, 2012, 3,434,496 Class A Voting Shares and 80,291,504 Class B Non-Voting Shares were issued and outstanding.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the six months ended February 29, 2012 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 the Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2011, 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 12 to the interim consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 15 to the condensed interim consolidated financial statements.

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

Free cash flow [1]

	Three months ended		Six months ended	
	February 29,	February 28,	**February 29,**	February 28,
(thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Cash provided by (used in):				
Operating activities	**53,568**	74,626	**80,019**	89,958
Investing activities	**(5,001)**	(17,687)	**(7,393)**	(32,064)
Free cash flow	**48,567**	56,939	**72,626**	57,894

[1] Reflects results from continuing operations

Net debt

(thousands of Canadian dollars)	**As at February 29, 2012**	As at August 31, 2011
Long-term debt	**567,387**	600,796
Cash and cash equivalents	**(65,575)**	(55,922)
Net debt	**501,812**	544,874

Net debt to segment profit

(thousands of Canadian dollars)	**As at February 29, 2012**	As at August 31, 2011
Net debt (numerator)	**501,812**	544,874
Segment profit (denominator)[1]	**288,709**	285,886
Net debt to segment profit	**1.7**	1.9

(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

Adoption of IFRS

Corus is required to prepare financial statements in accordance with IFRS starting with the interim financial statements for the quarter ended November 30, 2011. These statements for the period ended February 29, 2012 require the fiscal 2011 results to be restated in accordance with IFRS.

Detailed notes on the changes to the previously reported amounts are included in the notes to the condensed consolidated financial statements for the period ended November 30, 2011, that have been filed on SEDAR and are also available on Corus' website www.corusent.com and in the condensed consolidated financial statements for the period ended February 29, 2012.

Recent Accounting Pronouncements

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 is in the process of reviewing the amendment to determine the impact on the consolidated financial statements.

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. The Company does not anticipate early adoption and will adopt the standard when it is mandated by the IASB which is in fiscal 2016. The Company is in the process of reviewing the standard to determine 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 annual periods beginning on or after January 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*

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint operation or a joint venture. 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. IFRS 11 supersedes SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and IAS 31 *Joint Ventures.* The effective date of this amendment is for annual periods beginning on or after January 1, 2013. 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 annual periods beginning on or after January 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 annual periods beginning on or after January 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 annual periods beginning on or after January 1, 2013. The company is in the process of reviewing the impact of this change.

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 profit and loss will be separated from items that will not. The standard is effective for financial years beginning on or after July 1, 2012 with early adoption permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

Interim Condensed Consolidated Financial Statements

Corus Entertainment Inc.

February 29, 2012

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of Canadian dollars)	**February 29, 2012**	August 31, 2011	September 1, 2010
ASSETS			
Current			
Cash and cash equivalents	**65,575**	55,922	7,969
Accounts receivable	**175,170**	178,531	175,134
Income taxes recoverable	**4,692**	603	1,781
Prepaid expenses and other	**12,296**	13,497	18,008
Total current assets	**257,733**	248,553	202,892
Tax credits receivable	**56,671**	43,108	39,597
Intangibles, investments and other assets (note 4)	**40,767**	39,980	22,699
Property, plant and equipment	**164,837**	169,600	161,585
Program and film rights (note 5)	**264,572**	256,970	244,963
Film investments (note 6)	**78,842**	83,133	80,611
Broadcast licenses	**569,505**	569,505	610,423
Goodwill	**671,827**	671,827	695,029
Deferred tax asset	**28,058**	30,915	32,130
	2,132,812	2,113,591	2,089,929
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**213,694**	206,773	192,839
Provisions (note 7)	**3,057**	5,267	13,048
Total current liabilities	**216,751**	212,040	205,887
Long-term debt (note 8)	**567,387**	600,796	691,891
Other long-term liabilities	**88,572**	104,574	95,840
Deferred tax liability	**143,128**	141,361	146,044
Total liabilities	**1,015,838**	1,058,771	1,139,662
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**904,856**	882,679	856,655
Contributed surplus (note 9)	**7,780**	10,299	12,706
Retained earnings	**186,090**	143,717	62,509
Accumulated other comprehensive income (loss)	**(629)**	(1,075)	342
Total equity attributable to shareholders	**1,098,097**	1,035,620	932,212
Equity attributable to non-controlling interest	**18,877**	19,200	18,055
Total shareholders' equity	**1,116,974**	1,054,820	950,267
	2,132,812	2,113,591	2,089,929

See accompanying notes

CORUS ENTERTAINMENT INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited – in thousands of Canadian dollars)	Three months ended February 29, 2012	Three months ended February 28, 2011	Six months ended February 29, 2012	Six months ended February 28 2011
Revenues	**205,683**	191,076	**442,574**	413,232
Direct cost of sales, general and administrative expenses (note 10)	**143,436**	131,098	**289,113**	262,594
Depreciation	**6,653**	6,053	**12,892**	12,161
Interest expense (note 11)	**13,410**	14,717	**26,837**	28,790
Restructuring	—	—	—	2,250
Other income, net (note 12)	**(1,617)**	(1,125)	**(1,170)**	(1,242)
Income before income taxes	**43,801**	40,333	**114,902**	108,679
Income tax expense (note 13)	**10,262**	11,034	**28,683**	31,362
Net income for the period from continuing operations	**33,539**	29,299	**86,219**	77,317
Net Income for the period from discontinued operations (note 14)	–	3,501	—	5,023
Net income for the period	**33,539**	32,800	**86,219**	82,340
Net income attributable to:				
Shareholders from continuing operations	**31,571**	27,291	**82,119**	73,489
Shareholders from discontinued operations	—	3,501	—	5,023
Non-controlling interest	**1,968**	2,008	**4,100**	3,828
	33,539	32,800	**86,219**	82,340
Basic earnings per share attributable to shareholders:				
From continuing operations	**$0.38**	$0.34	**$0.99**	$0.90
From discontinued operations	—	$0.04	—	$0.06
	$0.38	$0.38	$**0.99**	$0.96
Diluted earnings per share attributable to shareholders:				
From continuing operations	**$0.38**	$0.33	**$0.99**	$0.90
From discontinued operations	—	$0.04	—	$0.06
	$0.38	$0.37	$**0.99**	$0.96
Net income for the period	**33,539**	32,800	**86,219**	82,340
Other comprehensive income (loss), net of tax				
Unrealized foreign currency translation adjustment	**(587)**	(1,108)	**537**	(1,861)
Unrealized change in fair value of available-for-sale investments, net of tax	**(17)**	(95)	**(91)**	76
Actuarial gain on employee future benefits	—	433	—	433
	(604)	(770)	**446**	(1,352)
Comprehensive income for the period	**32,935**	32,030	**86,665**	80,988
Comprehensive income attributable to:				
Shareholders	**30,967**	30,022	**82,565**	77,160
Non-controlling interest	**1,968**	2,008	**4,100**	3,828
	32,935	32,030	**86,665**	80,988

See accompany notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited – in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2011	**882,679**	**10,299**	**143,717**	**(1,075)**	**1,035,620**	**19,200**	**1,054,820**
Comprehensive income	—	—	82,119	446	82,565	4,100	86,665
Dividends declared	—	—	(37,968)	—	(37,968)	(4,423)	(42,391)
Issuance of shares under stock option plan	11,448	(3,111)	—	—	8,337	—	8,337
Issuance of shares under dividend reinvestment plan	12,839	—	—	—	12,839	—	12,839
Shares repurchased	(2,110)	—	(1,778)	—	(3,888)	—	(3,888)
Share-based compensation expense	—	592	—	—	592	—	592
At February 29, 2012	**904,856**	**7,780**	**186,090**	**(629)**	**1,098,097**	**18,877**	**1,116,974**
At September 1, 2010	**856,655**	**12,706**	**62,509**	**342**	**932,212**	**18,055**	**950,267**
Comprehensive income (loss)	—	—	78,512	(1,352)	77,160	3,828	80,988
Actuarial gain transfer	—	—	433	(433)	—	—	—
Dividends declared	—	—	(30,612)	—	(30,612)	(4,366)	(34,978)
Issuance of shares under stock option plan	7,911	(2,028)	—	—	5,883	—	5,883
Issuance of shares under dividend reinvestment plan	5,056	—	—	—	5,056	—	5,056
Share-based compensation expense	—	548	—	—	548	—	548
At February 28, 2011	**869,622**	**11,226**	**110,842**	**(1,443)**	**990,247**	**17,517**	**1,007,764**

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited – in thousands of Canadian dollars)	Three months ended **February 29, 2012**	Three months ended February 28, 2011	Six months ended **February 29, 2012**	Six months ended February 28, 2011
OPERATING ACTIVITIES				
Net income for the period	**33,539**	32,800	**86,219**	82,340
Deduct earnings from discontinued operations	**—**	(3,501)	**—**	(5,023)
Add (deduct) non-cash items:				
Depreciation	**6,653**	6,053	**12,892**	12,161
Amortization of program rights (note 10)	**46,433**	42,847	**93,488**	85,389
Amortization of film investments (note 10)	**7,960**	10,591	**17,947**	18,877
Deferred income taxes	**3,424**	352	**4,786**	824
Share-based compensation expense	**299**	295	**592**	548
Imputed interest	**2,976**	2,484	**6,010**	5,084
Other	**(547)**	(1,327)	**(790)**	(1,594)
Net change in non-cash working capital balances related to operations	**20,665**	30,277	**(20,726)**	(2,400)
Payment of program and film rights	**(50,997)**	(34,975)	**(86,426)**	(73,128)
Net additions to film investments	**(16,837)**	(11,270)	**(33,973)**	(33,120)
Cash provided by operating activities from continuing operations	**53,568**	74,626	**80,019**	89,958
Cash used in operating activities from discontinued operations	**—**	(13,374)	**—**	(13,262)
Cash provided by operating activities	**53,568**	61,252	**80,019**	76,696
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(4,714)**	(13,948)	**(8,084)**	(27,215)
Net cash flows for intangibles, investments and other assets	**(122)**	(3,382)	**1,009**	(4,267)
Other	**(165)**	(357)	**(318)**	(582)
Cash used in investing activities from continuing operations	**(5,001)**	(17,687)	**(7,393)**	(32,064)
Cash provided by investing activities from discontinued operations	**—**	74,996	**—**	74,996
Cash provided by (used in) investing activities	**(5,001)**	57,309	**(7,393)**	42,932
FINANCING ACTIVITIES				
Decrease in bank loans	**(34,674)**	(74,956)	**(34,674)**	(44,764)
Issuance of shares under stock option plan	**8,251**	3,581	**8,337**	5,884
Shares repurchased	**—**	—	**(3,888)**	—
Dividends paid	**(12,145)**	(11,958)	**(23,820)**	(23,549)
Dividend paid to non-controlling interest	**(200)**	(160)	**(4,423)**	(4,366)
Other	**(2,233)**	(2,144)	**(4,505)**	(4,324)
Cash used in financing activities from continuing operations	**(41,001)**	(85,637)	**(62,973)**	(71,119)
Net change during the period in cash and cash equivalents from continuing operations	**7,566**	(28,698)	**9,653**	(13,225)
Net change during the period in cash and cash equivalents from discontinued operations	**—**	61,622	**—**	61,734
Net increase in cash and cash equivalents during the period	**7,566**	32,924	**9,653**	48,509
Cash and cash equivalents, beginning of period	**58,009**	23,554	**55,922**	7,969
Cash and cash equivalents, end of period	**65,575**	56,478	**65,575**	56,478

Supplemental cash flow disclosures (note 16)
See accompanying notes

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company") 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").

The Company's registered office is at 630 3rd Avenue S.W., Suite 301, Calgary, Alberta, T2P 2L4. 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 Nelvana content business which consists of the production and distribution of television programs, merchandise licensing and publishing.

2. STATEMENT OF COMPLIANCE

Pursuant to the decision made by the Canadian Accounting Standards Board ("AcSB"), the Company has adopted International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its basis of financial reporting commencing with the interim condensed consolidated financial statements for the three months ended November 30, 2011. The Company's date of transition to IFRS is September 1, 2010 (the "Transition Date").

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, ("IAS 34") *Interim Financial Reporting* issued by the IASB, using the accounting policies the Company expects to adopt in its annual consolidated financial statements as at and for the year ending August 31, 2012 which have been disclosed in note 3 of the Company's condensed consolidated financial statements for the three months ended November 30, 2011. 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, 2011 prepared in accordance with previous Canadian GAAP and with the condensed consolidated financial statements for the three months ended November 30, 2011, which are available at www.sedar.com and on the Company's website at www.corusent.com. These statements include a Transition section which describes differences in certain accounting policies and methods between previously applied Canadian Generally Accepted Accounting principles ("GAAP") and IFRS and the changes from previously reported to restated results for the three and six months ended February 28, 2011.

These interim condensed consolidated financial statements of the Company for the three months and six months ended February 29, 2012 were authorized for issue in accordance with a resolution of the Audit Committee on April 11, 2012.

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 ($000), 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.

These interim condensed consolidated financial statements have been prepared using accounting policies consistent with those disclosures in Note 3 to the interim condensed consolidated financial statements for the period ended November 30, 2011.

Pending accounting changes

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 is in the process of reviewing the amendment to determine the impact on the consolidated financial statements.

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(unaudited – in thousands of Canadian dollars, except share information)

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IAS 1 *Presentation of Financial Statements*

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4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	Intangibles	Investments in associates	Other assets	Total
Balance, August 31, 2011	25,914	9,023	5,043	39,980
Increase in investments	—	1,830	913	2,743
Amortization of intangible assets	(1,849)	—	—	(1,849)
Fair value adjustment	—	—	(107)	(107)
Balance, February 29, 2012	**24,065**	**10,853**	**5,849**	**40,767**

The Company's investments in associated businesses is comprised of a 19.9% equity interest in The Food Network, a 28.4% equity interest in b5Media Inc, a 33.75% equity interest in Supernova Entertainment Inc. and a 33.3% equity interest in KidsCo Limited which are included in other assets.

Intangible costs include exclusive Canadian licensing rights for use of trademarks and materials for specialty and pay television and are expected to be fully amortized between 2014 and 2021.

5. PROGRAM AND FILM RIGHTS

Balance, August 31, 2011	256,970
Net additions	101,090
Amortization	(93,488)
Balance, February 29, 2012	**264,572**

(unaudited – in thousands of Canadian dollars, except share information)

6. FILM INVESTMENTS

Balance, August 31, 2011	83,133
Net additions	13,656
Amortization	(17,947)
Balance, February 29, 2012	**78,842**

7. PROVISIONS

In late 2010 and during fiscal 2011, the Company undertook a significant restructuring to streamline processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12,924 in fiscal 2010 and a charge of $3,694 in fiscal 2011, mainly related to severance and employee related costs. The Company anticipates that these provisions will be substantially paid in fiscal 2012.

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

	February 29, 2012	August 31, 2011	September 1, 2010
Restructuring			
Balance, beginning of period	**5,330**	13,756	8,329
Workforce reduction initiatives	**–**	1,319	11,264
Lease termination costs and other	**–**	2,375	1,660
Payments	**(2,351)**	(12,120)	(7,497)
Balance, end of period	**2,979**	5,330	13,756
Long-term portion	**(197)**	(338)	(1,195)
Total current restructuring provision	**2,782**	4,992	12,561
Legal claims	**275**	275	487
Total current provision balance, end of period	**3,057**	5,267	13,048

8. LONG-TERM DEBT

	February 29, 2012	August 31, 2011	September 1, 2010
Bank loans	**80,000**	114,806	208,015
Senior unsecured guaranteed notes	**500,000**	500,000	500,000
Unamortized financing fees	**(12,613)**	(14,010)	(16,124)
	567,387	600,796	691,891

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at February 29, 2012, the weighted average interest rate on the outstanding bank loans and notes was 7.0% (2011 – 6.8%). Interest on the bank loans and notes averaged 6.8% for the second quarter and year-to-date of fiscal 2012.

The banks hold as collateral a first ranking charge on all assets and undertakings of the Company and certain of the Company's subsidiaries as designated under the credit agreements. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at February 29, 2012.

On March 5, 2012, the Company's $500,000 credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2016.

9. SHARE CAPITAL

Authorized

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

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2011 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2011	3,439,212	26,633	79,029,261	856,046	882,679
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,716)	(37)	4,716	37	—
Issuance of shares under stock option plan	—	—	692,700	11,448	11,448
Issuance of shares under dividend reinvestment plan		—	645,663	12,839	12,839
Shares repurchased	—	—	(194,800)	(2,110)	(2,110)
Balance as at February 29, 2012	**3,434,496**	**26,596**	**80,177,540**	**878,260**	**904,856**

Earnings per share

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

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Net income attributable to shareholders (numerator)	**31,571**	30,792	**82,119**	78,512
Weighted average number of shares outstanding (denominator):				
Weighted average number of shares outstanding – basic	**82,921**	81,613	**82,675**	81,440
Effect of dilutive securities	**336**	696	**319**	699
Weighted average number of shares outstanding – diluted	**83,257**	82,309	**82,994**	82,139

The calculation of diluted earnings per share for both the second quarter and year-to-date of fiscal 2012 excluded 470,100 (2011 – 151,200 and 235,800) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan (the "Plan") because these options were not "in-the-money".

(unaudited – in thousands of Canadian dollars, except share information)

Share-based compensation

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

	February 29, 2012	August 31, 2011	September 1, 2010
Outstanding employee stock options	**1,928,773**	2,244,773	2,811,588
Exercisable employee stock options	**1,072,487**	1,452,668	2,010,065
Outstanding PSUs	**895,029**	876,708	776,401
Outstanding DSUs	**609,328**	493,732	368,575
Outstanding RSUs	**95,374**	246,887	198,644

Share-based compensation expense recorded for the second quarter and year-to-date of fiscal 2012 in respect of these plans was $2,441 and $3,516 (2011 - $2,740 and $5,029). As at February 29, 2012, the value of the PSU, DSU and RSU units was $17,308 (August 31, 2011 - $24,043; September 1, 2010 - $11,324).

Dividend reinvestment plan

In the first six months of fiscal 2012, the Company issued 645,663 Class B Non-Voting Shares, resulting in an increase in share capital of $12,839.

Normal course issuer bid

On June 14, 2011, the Company announced that the TSX had accepted the notice filed by the Company of its intention to make a 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 3,900,000 Class B Non-Voting Participating Shares during the period from June 16, 2011 through June 15, 2012.

The shares purchased for cancellation since June 16, 2011 are as follows:

	#	$	Average $
July 2011	27,800	605	21.76
August 2011	154,800	3,100	20.03
Fiscal 2011	**182,600**	**3,705**	**20.29**
September 2011	194,800	3,888	19.96
Fiscal 2012	**194,800**	**3,888**	**19.96**
	377,400	**7,593**	**20.12**

During the second quarter and year-to-date of fiscal 2012, the total cash consideration paid exceeded the carrying value of the shares repurchased by nil and $1,778 (2011 – nil and nil), which was charged to retained earnings.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited – in thousands of Canadian dollars, except share information)

10. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Amortization of program rights	**46,433**	42,847	**93,488**	85,389
Amortization of film investments	**7,960**	10,591	**17,947**	18,877
Other cost of sales	**18,613**	9,057	**33,477**	14,405
Employee costs	**37,789**	37,187	**74,002**	75,272
Other general and administrative	**32,641**	31,416	**70,199**	68,651
	143,436	131,098	**289,113**	262,594

11. INTEREST EXPENSE

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Interest on long-term debt	**9,909**	11,513	**19,800**	23,036
Imputed interest on long-term liabilities	**2,976**	2,484	**6,010**	5,084
Other	**525**	720	**1,027**	670
	13,410	14,717	**26,837**	28,790

12. OTHER INCOME, NET

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Interest income	**(32)**	(524)	**(75)**	(529)
Foreign exchange losses (gains)	**116**	(1,209)	**517**	(2,264)
Share of earnings of associates	**(530)**	(502)	**(757)**	(851)
Other	**(1,171)**	1,110	**(855)**	2,402
	(1,617)	(1,125)	**(1,170)**	(1,242)

13. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for year-to-date fiscal 2012 and 2011 is as follows:

	Fiscal 2012		Fiscal 2011	
	$	**%**	$	%
Tax at combined federal and provincial rate	**30,841**	**26.8**	31,669	29.1
Income subject to tax at less than statutory rates	**(2,248)**	**(2.0)**	(944)	(0.8)
Other	**90**	**0.1**	637	0.6
	28,683	**24.9**	31,362	28.9

(unaudited – in thousands of Canadian dollars, except share information)

14. DISPOSITIONS

In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the disposition on December 17, 2010 and the sale closed February 1, 2011 with a purchase price of $84.0 million (including a working capital adjustment of $4.0 million). Cash of $75 million was paid on the $84 million in adjusted proceeds at the time of closing, with the remaining $9 million paid on February 1, 2012. As a result, operating results have been reclassified to net income after tax for the period from discontinued operations in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The assets and liabilities of the Quebec radio stations have not been reclassified to assets and liabilities held for sale at September 1, 2010 as they did not qualify to be presented as such at that date. The summarized financial information for the discontinued Quebec radio operations is shown below:

	For the Three Months Ended		For the Six Months Ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Revenues	—	10,341	—	28,836
Direct cost of sales, general and administrative expenses	—	9,886	—	24,738
Segment profit	—	455	—	4,098
Other expenses	—	1,270	—	2,621
Income from discontinued operations	—	(815)	—	1,477
Gain on disposal	—	4,102	—	4,102
Income tax expense	—	(214)	—	556
Net income for the period from discontinued operations	—	3,501	—	5,023

15. BUSINESS SEGMENT INFORMATION

The Company reports its operations in two segments: Radio and Television.

Radio
The Radio division is comprised of 37 radio stations, situated primarily in high-growth urban centres in English Canada. Revenues are derived from advertising aired over these stations and related websites.

Television
The Television division includes interests in several specialty television networks, pay television, conventional television stations, the Nelvana content business and the related merchandising distribution licensing and publishing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. The 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 charges and certain other income and expenses (note 11 and 12).

(unaudited – in thousands of Canadian dollars, except share information)

Revenues and segment profit

Three months ended February 29, 2012

	Radio	Television	Corporate	Consolidated
Revenues	**42,384**	**163,299**	**—**	**205,683**
Direct cost of sales, general and administrative expenses	**32,505**	**102,878**	**8,053**	**143,436**
Segment profit (loss)	**9,879**	**60,421**	**(8,053)**	**62,247**
Depreciation	**779**	**787**	**5,087**	**6,653**
Interest expense	**(26)**	**6,374**	**7,062**	**13,410**
Other expense (income), net	**5**	**(2,363)**	**741**	**(1,617)**
Income (loss) before income taxes	**9,121**	**55,623**	**(20,943)**	**43,801**

Three months ended February 28, 2011

	Radio	Television	Corporate	Consolidated
Revenues	42,647	148,429	—	191,076
Direct cost of sales, general and administrative expenses	32,975	88,506	9,617	131,098
Segment profit (loss)	9,672	59,923	(9,617)	59,978
Depreciation	738	816	4,499	6,053
Interest expense	966	5,165	8,586	14,717
Other expense (income), net	(514)	(1,585)	974	(1,125)
Income (loss) before income taxes	8,482	55,527	(23,676)	40,333

Six months ended February 29, 2012

	Radio	Television	Corporate	Consolidated
Revenues	**94,248**	**348,326**	–	**442,574**
Direct cost of sales, general and administrative expenses	**67,967**	**207,410**	**13,736**	**289,113**
Segment profit (loss)	**26,281**	**140,916**	**(13,736)**	**153,461**
Depreciation	**1,557**	**1,352**	**9,983**	**12,892**
Interest expense	**96**	**13,232**	**13,509**	**26,837**
Other expense (income), net	**13**	**(995)**	**(188)**	**(1,170)**
Income (loss) before income taxes	**24,615**	**127,327**	**(37,040)**	**114,902**

Six months ended February 28, 2011

	Radio	Television	Corporate	Consolidated
Revenues	97,286	315,946	—	413,232
Direct cost of sales, general and administrative expenses	69,100	175,754	17,740	262,594
Segment profit (loss)	28,186	140,192	(17,740)	150,638
Depreciation	1,496	2,519	8,146	12,161
Interest expense	2,472	9,877	16,441	28,790
Restructuring charges	671	3	1,576	2,250
Other expense (income), net	(494)	(2,218)	1,470	(1,242)
Income (loss) before income taxes	24,041	130,011	(45,373)	108,679

(unaudited – in thousands of Canadian dollars, except share information)

Revenues are derived from the following areas:

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Advertising	**83,870**	82,179	**203,319**	202,499
Subscriber fees	**75,924**	75,599	**150,065**	149,361
Merchandise, distribution and other	**45,889**	33,298	**89,190**	61,372
	205,683	191,076	**442,574**	413,232

16. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
Interest paid	**19,858**	21,455	**21,287**	24,802
Interest received	**32**	524	**75**	529
Income taxes paid	**13,943**	8,680	**28,059**	21,046

TRANSITION TO IFRS

In preparing its opening IFRS Consolidated Statement of Financial Position, the Company has adjusted amounts previously reported that have been prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance on the Transition Date, for the three months ended November 30, 2010, for the year ended August 31, 2011 and as at August 31, 2011 are set out in the tables and notes in the Company's condensed consolidated financial statements for the first quarter ended November 30, 2011. The Company has also selected certain transition exemptions on the Transition Date, the details of which are also in the notes to the November 30, 2011 condensed consolidated financial statements. These financial statements are available at www.sedar.com and on the Company's website at www.corusent.com.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance for the three and six months ended February 28, 2011 and as at February 28, 2011 is set out in the following tables and notes that accompany the tables. There were no material adjustments to the operating, investing or financing activity subtotals in the fiscal 2011 annual and February, 2011 consolidated statements of cash flows as a result of the conversion to IFRS.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited – in thousands of Canadian dollars, except share information)

Reconciliation of Consolidated Statements of Income and Comprehensive Income for the three and six months ended February 28, 2011

		February 28, 2011					
		Three months ended			Six months ended		
	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues		**191,076**	—	**191,076**	**413,232**	—	**413,232**
Direct cost of sales, general and administrative expenses	T1, T2, T3, T4	**130,117**	981	**131,098**	**263,619**	(1,025)	**262,594**
Depreciation		**6,053**	—	**6,053**	**12,161**	—	**12,161**
Interest expense		**14,717**	—	**14,717**	**28,790**	—	**28,790**
Restructuring		**—**	—	**—**	**2,250**	—	**2,250**
Other income, net		**(1,125)**	—	**(1,125)**	**(1,242)**	—	**(1,242)**
Income from continuing operations before income taxes and non-controlling interest		**41,314**	(981)	**40,333**	**107,654**	1,025	**108,679**
Income tax expense	T6	**11,170**	(136)	**11,034**	**30,992**	370	**31,362**
Non-controlling interest	T5	**2,008**	(2,008)	**—**	**3,828**	(3,828)	**—**
Net income for the period from continuing operations		**28,136**	1,163	**29,299**	**72,834**	4,483	**77,317**
Net income for the period from discontinued operations		**3,501**	—	**3,501**	**5,023**	—	**5,023**
Net income for the period		**31,637**	1,163	**32,800**	**77,857**	4,483	**82,340**
Net income attributable to:							
Shareholders from continuing operations		**28,136**	(845)	**27,291**	**72,834**	655	**73,489**
Shareholders from discontinued operations		**3,501**	—	**3,501**	**5,023**	—	**5,023**
Non-controlling interest	T5	**—**	2,008	**2,008**	**—**	3,828	**3,828**
		31,637	1,163	**32,800**	**77,857**	4,483	**82,340**
Basic earnings per share attributable to shareholders							
From continuing operations		**$0.35**	($0.01)	**$0.34**	**$0.89**	$0.01	**$0.90**
From discontinued operations		**$0.04**	—	**$0.04**	**$0.06**	—	**$0.06**
		$0.39	($0.01)	**$0.38**	**$0.95**	$0.01	**$0.96**
Diluted earnings per share attributable to shareholders							
From continuing operations		**$0.34**	($0.01)	**$0.33**	**$0.89**	$0.01	**$0.90**
From discontinued operations		**$0.04**	—	**$0.04**	**$0.06**	—	**$0.06**
		$0.38	($0.01)	**$0.37**	**$0.95**	$0.01	**$0.96**
Net income for the period		**31,637**	1,163	**32,800**	**77,857**	4,483	**82,340**
Other comprehensive income (loss), net of tax							
Unrealized foreign currency translation adjustment		**(1,108)**	—	**(1,108)**	**(1,861)**	—	**(1,861)**
Unrealized change in fair value of available-for-sale investments, net of tax		**(95)**	—	**(95)**	**76**	—	**76**
Actuarial gain on defined benefit plans	T3	**—**	433	**433**	**—**	433	**433**
		(1,203)	433	**(770)**	**(1,785)**	433	**(1,352)**
Comprehensive income for the period		**30,434**	1,596	**32,030**	**76,072**	4,916	**80,988**
Attributable to:							
Shareholders		**30,434**	(412)	**30,022**	**76,072**	1,088	**77,160**
Non-controlling shareholders		**—**	2,008	**2,008**	**—**	3,828	**3,828**
		30,434	1,596	**32,030**	**76,072**	4,916	**80,988**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited – in thousands of Canadian dollars, except share information)

Reconciliation of Consolidated Statement of Changes in Equity on February 28, 2011

	Notes	Share capital	Contributed surplus	Retained earnings	AOCI	Non-controlling interest	Total equity
Reported under Canadian GAAP as at February 28, 2011		**869,622**	**10,274**	**145,915**	**(12,941)**	**—**	**1,012,870**
IFRS adjustments increase (decrease):							
Program and film rights	T1	—	—	(3,609)	—	—	(3,609)
Film investments	T2	—	—	(18,783)	—	—	(18,783)
Broadcast licenses		—	—	28,257	—	—	28,257
Accounts payable and accrued liabilities	T2	—	—	(2,345)	—	—	(2,345)
Employee benefits	T3	—	—	(3,477)	—	—	(3,477)
Share-based compensation	T4	—	952	(1,427)	—	—	(475)
Foreign currency IFRS 1 adjustment		—	—	(11,498)	11,498	—	—
Non-controlling interest	T5	—	—	—	—	17,517	17,517
Income taxes	T6	—	—	(22,191)	—	—	(22,191)
Reported under IFRS as at February 28, 2011		**869,622**	**11,226**	**110,842**	**(1,443)**	**17,517**	**1,007,764**

Notes to the February 28, 2011 reconciliation schedules:

(T1) **Program and film rights**

Amortization of program rights in direct cost of sales, general and administrative expenses for the six months ended February 28, 2011 was $0.2 million higher under IFRS than it was under previous Canadian GAAP ($0.3 million lower for the three months ended February 28, 2011). This was primarily the result of the changes made to the amortization method for certain program rights (refer to notes T2, T12 and T17 – November 30, 2011).

(T2) **Film investments**

Amortization of film investments in direct cost of sales, general and administrative expenses for the six months ended February 28, 2011 was $3.2 million lower under IFRS than it was under previous Canadian GAAP ($0.6 million lower for the three months ended February 28, 2011). This was primarily the result of the changes made to certain third-party-produced equity film investments on the Transition Date and similar impacts for additional arrangements entered into in the period (refer to notes T3, T6, T13 and T18 – November 30, 2011).

(T3) **Employee benefits**

Employee costs in direct cost of sales, general and administrative expenses for the six months ended February 28, 2011 was $1.3 million higher under IFRS than it was under previous Canadian GAAP ($1.3 million higher for the three months ended February 28, 2011). Other Comprehensive Income for the six months ended February 28, 2011 was $0.4 million higher under IFRS than it was under previous Canadian GAAP as a result of actuarial gains recognized in the second quarter related to its employee benefit plans (refer to T7 and T20 – November 30, 2011). The amount recognized in the period is not retained in Accumulated Other Comprehensive Income but goes directly to retained earnings.

(T4) **Share-based compensation**

Employee costs in direct cost of sales, general and administrative expenses for the six months ended February 28, 2011 was $0.3 million higher under IFRS than it was under previous Canadian GAAP ($0.1 million higher for the three months ended February 28, 2011). This was primarily the result of the changes made to the accounting for stock-based compensation plans (refer to notes T8, T14 and T21 – November 30, 2011).

(T5) **Non-controlling interest**

IFRS requires non-controlling interests to be classified as a component of equity. Under previous Canadian GAAP, non-controlling interest was classified outside of equity.

(T6) **Income taxes**

The income tax adjustment includes the income tax impact of the transition adjustments (Notes T11, T16, and T23 – November 30, 2011) and the related changes in the consolidated statements of income and comprehensive income through February 28, 2011.