CORUS ENTERTAINMENT

Moderator: Heather Shaw
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10:00 a.m. CT

Operator: Good day, everyone, and welcome to today's First Quarter Analyst conference call with Corus Entertainment. As a reminder, this call is being recorded. At this time for introductions and further comments, I would like to turn the call over to the Executive Chairperson, Miss Heather Shaw. Please go ahead, Miss Shaw.

Heather Shaw: Great. Thank you, Operator. Good morning and welcome to Corus Entertainment's First Quarter Report and Analyst conference call. Thank you for joining today. I'll take a moment to run through the standard cautionary statement before we begin.

This discussion contains forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1955. Some of these statements may involve risks and uncertainties. Actual results may be materially different from those contained in such forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the company's filing with the U.S. Securities and Exchange Commission.

I would like to introduce to you today the Corus Entertainment team available on this call. John Cassaday, President and Chief Executive Officer; Tom Peddie, Senior Vice President and Chief

Financial Officer; Paul Robertson, President, Corus Television; and John Hayes, President, Corus Radio; and I am Heather Shaw, Executive Chair of Corus Entertainment.

We are pleased to review our results for the first quarter of fiscal 2006. Consolidated revenues for the first quarter were $195.3 million, up eight percent from last year. Consolidated segment profit was $69.8 million, up 12 percent from last year and net income for the quarter was $31.4 million or 73 cents per share as compared to $29.1 million or 68 cents per share last year. With double digit advertising growth from W Network, Telelatino, Teletoon and CMT, the strong growth in subscriber revenues lead by Y TV Treehouse and from Movie Central's successful launch of HBO's Rome, our television division revenues were up 10 percent and segment profit was up 16 percent versus year ago results. In our radio division, strong local advertising sales that outpaced the market and grew 10 percent versus a year ago contributed to the divisions 10 percent increase in revenues and four percent increase in segment profit versus year ago results. And with a sixth consecutive quarter of positive segment profit, our content division continues to generate positive cash flow and perform in line with our expectations.

Along with our strong first quarter results, we are also pleased to announce an increase in our annual dividend for our class A and class B shares to 39 cents and 40 cents respectively, up from the current annual amount of nine cents and 10 cents respectively. This significant increase is a result of our consistently solid business results and demonstrates the strength of our free cash flow.

I will now turn the call over to John Cassaday for his comments and your questions.

John Cassaday: Thank you, Heather. As you can imagine, we are quite pumped about our Q1 results. EPS up 23 percent adjusted for the one time gains in the same quarter a year ago, strong ad growth from both radio and TV and a continued positive contribution from Nelvana. Importantly, we feel good about our competitive position on a go forward basis. Our radio ratings and our TV ratings continue strong and we expect to continue to benefit from the strong Canadian economy. We see continued revenue strength for both TV and radio in Q2. We will, however, be impacted by continuing high radio expenses in the second quarter. We hope you found our additional disclosure on our radio revenues and expenses to be helpful. From this analysis, you will see that on a same store basis, Corus's radio business is performing extremely well both in terms of top line and bottom line. Incremental costs for hockey, (So Can), Quebec, and Web investment will effect our Q2 results similarly to those in Q1. We are pleased to reaffirm our guidance for fiscal ‘06.

We have also been busy on our capital structure, as well. At our AGM, we described our note buyback plan and I can report that the execution was superb. The offer expires on January 20th, but we have now received confirmation that over 99 percent of the notes have been redeemed. This note redemption program has provided us the flexibility to begin a share buyback program and significantly increase our dividend, as Heather just mentioned. We believe these actions, in combination, despite the cost of taking out the swap which will be incurred in Q2, will be seen as very positive actions for our shareholders.

So that concludes our opening remarks and we'd like now to turn to you for your questions.

Operator: Thank you. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touch-tone telephone. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one on your touch-tone telephone to ask a question. We will now go to Jason Jacobson with GMP Securities.

Jason Jacobson: Hi, guys.

John Cassaday: Good morning, Jason.

Jason Jacobson: Just firstly on radio, you obviously had very strong radio growth. I was wondering if you can talk about the pacing in the Q2 and Q3 a little bit more specifically beyond the tone? Just wondering if you still expect, as well, five percent market growth for the year? And secondly, I didn't have a chance to look at your same store station results, I was wondering if in there or if you could elaborate on, if you could talk about the integration costs with respect to the Astral stations in specific and whether you still expect them to be break even by the Q3 time period? Also, if a loss of about $1.5 million for those stations is a reasonable assumption for the year?

John Cassaday: Jason, I'll start and then, John, perhaps, will have some additional color, but in terms of the market, yes, we're still expecting the market to growth in the five percent range and we're still anticipating that we will grow in advance of that market performance. In terms of Corus Radio stations, in most of the major markets, we are continuing to outpace the market and while I indicated that revenue continues strong in the second quarter, I think it would be safe to say that it will be in excess of six percent in Q2, as well. So we're feeling still pretty buoyant about the Q2 pacing.

In terms of our integration, on Quebec, it is growing reasonably well. We are finding that performance at one station, CAC in particular, has been a little more problematic than we anticipated, both in terms of cost and revenue. But John and his team are hard at work on that one and as for your other comment about Q3, we still hope at this point in time to be cash flow positive on a quarter basis in Q3 as we suggested at our investor conference in September. John, any other comments that you want to make about the Quebec integration? Does that satisfy you, Jason?

Jason Jacobson: Yes. Thank you. And I just did have one other follow up on the radio guidance, as well. Just wanted to clarify with the reiteration whether that also includes – whether that's on a same store basis that you were looking for 10 percent EBITDA growth or whether that's including all the additional costs related to hockey and the new stations, et cetera.

John Cassaday: That's all in.

Jason Jacobson: OK. Well, thanks very much and congratulations on a good quarter.

John Cassaday: Thank you.

Operator: Our next question comes from Bob Bek with CIBC World Markets.

Bob Bek: Hi, I'm not sure if you can talk at this point just about the restructuring and the successful buyback of the debt. Just some pro forma numbers as far as where the debt would go given the additional cost to buy it in and interest savings and sort of timing on when that will close so we can sort of model ahead on the interest savings.

Tom Peddie: Bob, it's Tom. The preliminary guidance that we gave at our AGM, we're really quite comfortable with that guidance. That's where we talked about the EPS impact as being approximately $2.11 a share; in other words, about a $90 million loss. We expect the transaction will close on January the 23rd. At that point in time, we'll have the final numbers, but the guidance that we gave on the December 15th meeting we're still comfortable with.

Bob Bek: OK. Tom, while I have you on – cap ex was a bit light relative to your pace. Any commentary as far as the progress for the year?

Tom Peddie: We think that our capital spend this year will probably be around $20 to $22 -- $23 million, slightly higher than last year, slightly below the depreciation guidance we had given.

Bob Bek: OK. And so you've done about $1.2 I think in Q1, so obviously picks up pace in a big way?

Tom Peddie: Yes.

Bob Bek: OK. And just as far as television goes, the advertising growth, 13 percent advertising growth was quite strong. Any commentary, John, perhaps on that tone and the continuation of that into Q2?

John Cassaday: Well, I think a couple of comments. First of all from a competitive point of view, our ratings our strong on YTV, CMT, and W, so that augers well. W, in particular, continues to be a star performer for us in terms of ad growth. We've also looked at it by sector and the trends are pretty broad in terms of categories that are growing. And we just see no reason, over the course of this fiscal, to see the specialty market slow down in any meaningful way. It just continues to pace double digit and our brands continue to perform well in a buoyant market.

Bob Bek: OK. As far as the subscriber numbers go, do you think that – excuse me – that eight percent pace in Q1 is – you can maintain some of that pace going forward? Obviously, you've had some specific events to drive some of that, but just going to get a feel as to your confidence on that pacing.

John Cassaday: We benefited from two things, in particular, in the quarter; one was the really terrific growth we saw from our premium pay television business. I think attributed to good work by our partners at Shaw and also, the impact of Rome and the marketing efforts that we put in place there. But we also benefit in the quarter from some bundling changes on the Bell Express View platform where brands like YTV picked up quite a bit of incremental distribution as a result of being moved into a more favorable package on their platform. Paul, any additional color on ad revenues or subscriber?

Paul Robertson: Well, just reinforcing John's comment on the ad revenue, our pacing in terms of total bookings this year forward compared to a year ago is also the plus 13 percent, so that tends to reinforce that that kind of growth rate is possible. On the subscriber side, we think that we started the year with a better sub base, we've added more to it in the first quarter than we expected. So taking it through at the run rate, we just don't see that it could be a whole lot less than what we performed, revenue wise, in Q1.

Bob Bek: That's great. Thank you. I'll leave it there.

Paul Robertson: Thanks, Bob.

Operator: Our next question comes from Carl Bayard with DesJardins Securities.

John Cassaday: Morning, Carl.

Carl Bayard: Good morning. I was just wondering on the last conference call or in the notes, you mentioned that you were nearing an output deal with HBO and a renewal for three years. If you could just update us on that and also on the radio side, we saw Astral launch some sort of Internet subscription radio initiative. I was wondering if you guys are looking at the same kind of thing.

John Cassaday: I'll let John talk a little bit about what we're doing on our new division, which we call Splice. On the HBO side, I can confirm that we're in good shape there.

Carl Bayard: OK. And you couldn't provide any more detail into whether the terms were more or less favorable than in the past?

John Cassaday: Not at this particular point in time.

Carl Bayard: OK.

John Hayes: Carl, it's John Hayes. On the interactive side, we've created Splice Interactive Media, which is a platform for sales and content provision for the radio Websites and really a roll up of our radio Websites and when you roll up our Websites, we reach almost two million people on a monthly basis. It's a neat business and we've got a very good time spent with the sites and we feel that there is a way for us to monetize that if we can create a way to allow advertisers to advertise across the platform and we've done that. As to the – and we're starting to see nice revenue traction there. We've got a very robust sales effort going internally and inside individual markets, particularly in the top six and now our national revenues are starting to ramp up.

As to the creation of a streaming media company, our view is that the expense of a start up of that kind of venture would be prohibitive for us, given that there is not enough advertising to support that kind of a venture at this time and there's no evidence that subscribers are willing to sign up for Internet streaming services. Having said that, we think that the best way for us to proceed in that area is with a joint venture of some kind and we're involved in that kind of scrutiny at this point.

Carl Bayard: OK. And when you say that the expenses of such a venture would be prohibitive, what kind of expenses would we be looking at? I mean in terms of the nature of the expenses, not necessarily the cost?

John Hayes: Well, if you start up an online streaming service, you've got to build out the infrastructure, you've got to get the right (seats) set, you've got to make sure that – you've got to buy servers, you've got to buy all kinds of programming software and then, in order to make it representative of what you want to represent your unique selling proposition to the consumer, you have to create something new. And we just think that the costs involved in that would be more than we're willing to commit at this time.

Carl Bayard: OK. Great. Thanks for the insight, John.

Operator: Our next question comes from Scott Cuthbertson with TD Newcrest.

Scott Cuthbertson: Yes, good morning.

John Cassaday: Morning, Scott.

Scott Cuthbertson: Hi. I was just looking at the radio costs, they were up about $6 million bucks in the quarter. I just wondered if you could tell me how much of that was related to the (So Can) and NRCC tariffs and whether or not this was kind of a reasonable run rate of expense going forward to the addition of the new stations.

John Cassaday: Well, have you had a chance to look at the detailed breakout that we gave you on radio in the quarter?

Scott Cuthbertson: I had – I looked at it briefly. I haven't examined it in detail yet.

John Cassaday: OK. Well, I think on the (So Can) piece, we're looking at about $1.4 million incremental over the course of the year, so on a quarterly basis, take a cut at that. Our hockey costs will continue into Q2 at about the same run rate, obviously, will reduce as we go into Q3 with the lack of hockey on the air at that particular point in time. John, anything else you want to add on costs? Clearly, the big nut for us right now is Quebec and – go ahead, John.

John Hayes: Yes. I think that on Quebec, we've clearly related our strategy in Quebec with the Astral acquisitions in the past and the effect of the disbursements that we've had in the former Corus stations in ((inaudible)), (Drummondville), and St. John. We feel that we're on track in Quebec and we're making the progress that we anticipated with the integration in these new markets and we stand by our prediction that we will be cash flow positive in the third quarter.

Scott Cuthbertson: Great. John, while I have you, just great radio book in December. I just wondered if that's – if you see any impact to that for Q2 and Q3.

John Hayes: Well, we're in a great position to take advantage of the marketplace growth in Q2. Q3 is still a little bit hard to predict at this point, although we're pacing well. There's a couple of things I could point out just for flavor; it's our view that election revenue has been soft for radio. It's also our view that the schedule of the school out/school in timing in Ontario caused agencies to have a different kind of a work schedule over the holidays and there's several major annual radio accounts that are not yet placed. And Christmas retail sales were – retail revenue for radio were a little bit softer than we had expected. Having said that, we feel pretty good about January -- February and again, as I said, the pacing into Q3 looks pretty decent at this time. So our feeling is, from a ratings standpoint, if the market holds up, we will capture our fair share and more.

Scott Cuthbertson: One other question for you, John. I would just ask you what's your – what percentage of your radio revenue comes from western markets? Let's say, Winnipeg and west of there?

John Cassaday: Come back to you on that, Scott.

John Hayes: Yes.

Scott Cuthbertson: OK. And the other thing I just wanted to ask, Tom, is just can we annualize the amortization that we saw this quarter?

Tom Peddie: What will happen, Scott, is that the amortization that we have this year compared to last year is about the same at about $3 to $4 million. But that number will be reduced or eliminated in the back half of the year once the notes are gone from an accounting point of view.

Scott Cuthbertson: OK.

John Hayes: OK. Scott, it's John Hayes. 40 percent of our revenue in Q1 was from the west.

Scott Cuthbertson: So that was 40 percent or 48?

John Hayes: 40. 4-0.

Scott Cuthbertson: OK. Great. Thanks very much.

Operator: Once again, if you would like to ask a question, that is star one on your touch-tone telephone. We will now move to David McFadgen with Sprott Securities.

David McFadgen: Yes. Sorry. Just a couple of questions. Just first of all, on the pay TV subscribers, is like three to four percent growth in pay TV subscribers a reasonable expectation for ‘06?

John Cassaday: Yes.

((inaudible))

David McFadgen: Yes. OK. I'll take that as a yes. Could you talk about the conventional TV impact in the quarter? How was that? Was that favorable for you guys? Or negative?

John Cassaday: Yes, it was favorable. We had a good quarter, particularly in Peterborough, but there's no question that the return of hockey has been a big boost for our stations in Kingston and Peterborough. So we had positive revenue growth for our conventional TV assets in the quarter.

David McFadgen: OK. And then, if I could just talk about that additional segmentation you gave for radio. In there, you have on the EBITDA line you have adjustment for stations not in both fiscal years that went negative in ‘04 to positive in ‘05. Are those stations there, the Red Deer and the ((inaudible)) stations, first of all, just to clarify that?

John Cassaday: That's correct.

David McFadgen: OK. So what was the dynamic moving it from negative to positive?

John Cassaday: Well, we had – the big one is we had profitable station in Red Deer, so that Red Deer station we only had two months of revenue in this quarter. We sold that station at the end of October, so that was a factor. And then, in the case of – September, just one month. And then – sorry, one month. We closed at the end of September. And then, in the case of Quebec, of course, what we traded off was stations generating approximately $1 million of profit for stations generating approximately $2 million in losses. So those were the sort of dynamics within that overall analysis.

David McFadgen: OK. Great. OK. That's it. Thanks.

Operator: Again, that is star one on your touch-tone telephone to ask a question. We will now go to Randal Rudniski with CS First Boston.

Randal Rudniski: Thanks. First of all, in terms of the radio same station segment results, there is the adjustment for stations not in both fiscal periods and I just wanted to I guess be crystal clear what that number is. So for the three months ended November 30th, ‘04 that would – the adjustment would exclude Red Deer and the Quebec stations that were swapped to Astral? Is that correct?

John Cassaday: That's correct.

Randal Rudniski: And then, in the current period, it's the results from the Quebec stations that you received from Astral?

John Cassaday: That's correct.

Randal Rudniski: OK. Perfect.

John Cassaday: OK. And Randal, if – we were hoping that we were going to make things clearer, it sounds like there's still a little bit of confusion, so we're in Vancouver today, we'll be traveling back this afternoon, if any of you want further clarification on this additional disclosure, then Tom and John and I will be available tomorrow for further discussion. But hopefully, once you get a chance to look at it, it'll be as clear as we hoped it would be.

Randal Rudniski: Yes. No, I think it is clear, but it's when you see an adjustment for the first time ((inaudible))

John Cassaday: Yes.

Randal Rudniski: ...crystal clear what it is.

John Cassaday: Fair enough. Thank you.

Randal Rudniski: And the second question, relating to the specialty television side of the business, there's been a lot of announcements over the last say two or three months in the U.S. where the U.S. networks are exploring some of the VOD and online channels for distributing network programming. And so the question is, do you see the potential for Corus to proceed along a similar line? And I guess related to that, do you have VOD rights for the specialty television programming that you distribute?

John Cassaday: Yes. I'll let Paul talk a little bit about that. We are quite excited about that. We call that sort of our Blue Ocean strategy, as we begin to look at some of these new uncharted waters where we see some good potential, but clearly, the fact that we own so much Nelvana content gives us a huge opportunity and Paul can perhaps talk about how we're exploiting that and other programming that we have access to.

Paul Robertson: Great. Thanks, John. Paul, here. We've taken a lead position in getting SVOD and VOD services out there, so we've got kind of a lead – (mover's) lead in Canada. Clearly, our strength is in the kids area, as John said, and then, to answer the question, yes, we certainly have rights to lots of kids content that can be purchased for VOD, SVOD, but also through broadband. And we recently, at the consumer electronics show, and got a lot of interest from all the big players in terms of that Nelvana content and how it could form into a play at one of the big movers in this space. So, we felt very comfortable that we will be a big player down the road. We're already a big player in Canada on this front.

John Cassaday: And I think, remember the Vortex on demand deal we did with Comcast, so we got that up and going. We'll have a couple of announcements, Randal, in the next couple of weeks on other initiatives that we have taken to exploit our kid content on some new platforms.

Randal Rudniski: OK. And in terms of a Canadian oriented service that would be offered through a Canadian BDU, would you have VOD rights on women's television programming if such a service arose? And do you see that potential for such a service in Canada anytime soon?

John Cassaday: Yes. We do for sure. I mean right now we're offering our movies on a video on demand and subscription video on demand basis. Specifically, we're offering Treehouse VOD service. We have offered the Vortex on demand service to our Canadian customers, as well, and then, as we look at these other categories, we do see opportunities in music off CMT and in W to begin to talk to the people that we license programming from going forward about participating with them on the VOD front on the basis that we have the expertise and the relationships and we think that that represents a new revenue for them, as well, so that they will be quite receptive to our proposals.

Randal Rudniski: That's terrific. Thank you.

Operator: We now have a question from Marie Millien with West Wind Partners.

Marie Millien: Oh, good morning. One quick question on Nelvana and it's more going forward than anything else, but I was wondering if we could have some color on the product side after for the Christmas season. Did it go well? Or?

John Cassaday: You're talking about our merchandising now, Marie?

Marie Millien: Yes.

John Cassaday: I think it's – have to give you the comment that it was mixed. The one that we were most hopeful of for the Christmas period was Miss Spider and the main toy line did not do particularly well. However, a number of the other lines are hanging in there, so if we were looking for a homerun on Miss Spider, I think it's fair to say that we did not get it.

Marie Millien: OK.

John Cassaday: We're not sure yet whether or not it will build over time. The television show continues to perform well. The merchandising properties that we have in the store are charming, but they have not had the consumer impact that we hoped they would.

Marie Millien: OK. And could you just give us a bit of a bit more color on the advertising market on the radio side going forward? I mean you seem to be quite bullish on it. Are there some regions that are more interesting for you than others?

John Cassaday: Actually, the growth of the ad markets in Canada are pretty much universal. We are seeing pretty much the same trends from region to region. There are cities that are performing better than others, but from a regional point of view, the performance of the radio market seems to be relatively uniform.

Marie Millien: OK. Thank you.

John Cassaday: John?

John Hayes: Local is pacing at the same rate as national and that's always a good sign. We're seeing certain account categories that continue to be very robust, such as telecommunications, finance, automotive and we feel real good about where things are heading radio revenue.

Marie Millien: And would you say the same thing on the specialty TV? You had some great revenue growth in this quarter. Do you get that momentum going forward, too?

Paul Robertson: Yes, it's Paul here. We've got a – bookings are up 13 percent compared to a year ago at the same time. So we see the market up about nine percent in the first quarter, where we were 13 and so, what we think we're doing is outpacing the market, but the market also is strong.

Marie Millien: OK. Thank you.

Operator: Once again, that is star one on your touch-tone telephone to ask a question. Our next question comes from Blair Carey with Accountability Research Corporation.

Blair Carey: Hi, guys. I just want to have a quick question about the unwinding of the swap as it relates to the notes and the fair value of the swap. I noticed that you guys have an estimated fair value of the swap at $245 million. Is that what you expect the cost is going to be to unwind this thing?

Tom Peddie: Blair, it's Tom. The number that we used in our estimate at the AGM was $253 million. The number you saw in the financials was as at November the 30th. We're anticipating that the number will be about $253.

Blair Carey: OK. And it seems that most everybody has pretty much decided to tender the bond, so I imagine you're going to unwind the entire swap. Is that – that's the plan?

John Cassaday: That's correct.

Blair Carey: OK. Thanks very much.

Operator: There are no further questions. I would like to turn the conference back over to our presenters for any additional or closing remarks.

John Cassaday: I think that's fine. Once again, we thank you for your continued interest in our company and we look forward to talking to you over the next few weeks and leading into the next quarter. Bye for now.

Operator: This concludes today's presentation. Thank you for your participation and have a wonderful day.

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