CORUS ENTERTAINMENT

Moderator: John Cassaday
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8:00 a.m. CT

Operator: Good day and welcome to the Corus Entertainment's Q1 analyst and investor conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. John Cassaday, President and CEO; please go ahead, sir.

John Cassaday: Thank you, Operator. Good morning everyone; it's John Cassaday. Welcome to Corus Entertainment's first quarter fiscal '08 report and analyst conference call. Thank you for joining us today. I'll take, just a moment, to run through the standard cautionary statements 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'd like now, to introduce to you the Corus Entertainment team that will be available on this call this morning. First of all, Tom Peddie, our Senior Vice President and Chief Financial Officer; Paul Robertson, President of Corus Television; John Hayes, President of Corus Radio; and Doug Murphy, President of Nelvana Enterprises.

Before we review our results, we'd like to advise everyone that we have a series of PowerPoint slides that accompany this call, and the link to those slides can be found on the investor information page of our Web site, at Corusent.com.

Q1 was a record quarter for Corus in terms of revenue and profit. The results that we achieved were inline with our plans and expectations and consistent with the direction that we provided you on our last call. If you turn to slide three, consolidated revenues for the first quarter ended November 30, 2007, were 214.8 million, up three percent from last year.

Turning to slide four, you'll see that our consolidated segment profit was 83.4 million, up four percent from last year, and net income from the quarter was 39.4 million or 94 cents per share, up seven percent from last year.

Our television division delivered quarterly results of 126.1 million, up three percent, and segment profit was up four percent to 62.9 million. On slide five, you will see that while overall specialty advertising growth slowed to two percent in Q1, we expect to return to more typical growth rates in Q2. The story behind the numbers is much more consistent with our previous growth and performance. Our women's business continued to achieve double digit growth and the softness in our kids business as driven by only two soft spots, that we expect to return to normal in the future.

We are excited about our continued growth potential on the kids business, and yesterday, we announced a partnership, that not only extends our broadcast rights for MTV Networks, Nickelodeon brands, but sees that partnership grow to include all broadband, mobile, video on demand, pay-per-view, electronic sell through and gaming rights, as well as management of Canadian ad sales for their kid Web sites. This new partnership enables us to extent our offering to kid advertisers and being to penetration local add markets. Our adult business, continued to deliver in the high single digits lead by double digit growth from W network. The women's demo continues to increase in demand, and we will expand our presence in this area, when Cosmo TV launches this February. And, again, overall, we expect Q2 to return to specialty TV growth rates in the high single digits.

If we turn to slide six, overall subscriber revenue growth was four percent led by movie central's five percent growth versus year ago. As you can see from this slide, we saw a small drop off in subscriber levels at the end of Sopranos. But we believe we have turned a corner with growth rates returning in October and November. And overall, we continue to project a five to six percent growth rate in overall subscriber revenue for this year. And you'll see on the slide, a number of the underlying factors that support our positive outlook for subscriber growth for the balance of the year.

In our radio division, strong national sales of seven percent led to first quarter revenues of 79.5 million, up five percent over year ago. Segment profit was 25.5 million, representing an eight percent increase. And slide seven, shows that our leadership position in the top 10 markets, remains in tact, despite the recent merger activity. Content was off 19 percent in the quarter, but last year's numbers included several first window sales to Corus Networks, which we no longer record in our results. And the dollar contributed to much of the balance of the decline in our overall content revenues.

In summary, our solid Q1 results were inline with our expectations, and we have continued confidence in our business. As slide seven shows, we will continue to focus on returning value to our shareholders and have, once again, substantially increased our dividend and announced our intention to extend our share buyback program.

So we'll now turn it over to you for any questions you may have.

Operator: Thank you. Ladies and gentlemen, if you'd like to ask a question, please press star one on your touch-tone telephone. To withdraw your question, press the pound sign. If you use a speakerphone, please lift your handset before entering your request. Please standby for our first question.

And our first question comes in from Jason Jacobson from GMP Securities; please go ahead.

John Cassaday: Good morning, Jason.

Jason Jacobson: Hi, good morning. Just two questions, first, I was wondering if you could talk about the radio outlook, and how that's been going into Q2 and if you've got any insight into Q3, whatsoever?

And then, secondly, I'm just wondering if you expect any strike impact on movie central, particularly, as it relates to HBO and Showtime content. I'm just wondering if you have a number of shows in the can to fill in the programming slate, or if you can expect some disruption there? Thanks.

John Cassaday: I'll just give just brief comments and John and Paul may want to elaborate. But, basically, the radio outlook remains solid. We are not seeing any indication that the continued growth—that the growth won't continue into the second and third quarter. The one area that we're kind of curious about is to see what the impact of the possible bankruptcy PQS will mean to radio markets in Quebec. That has been the one soft spot for us, Quebec market growth. And, if in fact, PQS does not make it, and the inventory leaves that market, that could speak well to the possibility of good growth for Quebec radio markets in the back half.

In terms of the strike impact on movie central, a significant amount of our programming, of course, is movies, and that will not be impacted, whatsoever. We have a number of new series that were previously prepared that will be coming on stream in the second and third quarter. And also, we think, that this, in fact, represents a bit of an opportunity for us, because of our on demand offering. It does provide an opportunity for those people that are, perhaps, some what frustrated with the lack of new drama content on the networks to move over to movie central and catch up on some of the series like Entourage, Durham County and The Wire, perhaps, that they haven't seen up until now.

John, have you got anything to add on radio outlook?

John Hayes: No, only to reiterate what John said and that is the pipeline continues to be strong however, demand continues to be uneven and a little bit late, which is a pattern that we've experienced over the last several years. The call for avails in placement is, at most, two weeks now on national business, for example. We're currently forecasting to have something like a seven percent growth rate in Q2.

And as John said, Quebec is a concern because the French market has been so soft in Q1, but we're seeing some signs of life and progress at our locations in the French side and in Q2. And, I would also point out that the English stations in Montreal, for us, were very strong in Q1, and that pacing continues in Q2.

John Cassaday: Paul, anything additional on movie central and the strike impact?

Paul Robertson: Yes, thanks John. I agree with your comments that the movies will tend to drive the schedule more as we get past the introduction of The Wire and then treatments which are in January and February. And we've got a great line up of movies. And then, when you get into the spring, where we're expecting deliveries of Entourage and Big Love, they could be effected. But, by the time you get to the run rate on subscriber build at the end of the year, we think that the program saving will be an opportunity, not a problem for us, at that time of year.

So, I think the profile of pay kind of works well with any issues around the strike.

John Cassaday: Paul, for those that, perhaps, didn't have access to the slides, did you want to just comment briefly on some of the activity that you have underway to drive subscriber growth going forward?

Paul Robertson: Yes, I think what we set up three months ago was that the first quarter, we didn't think would be all that exciting from a growth standpoint, because a lot of the activity that we've put into the marketplace, gets reported back to us with a pretty major lag effect from our customers, which is kind of two months. We've got a lot of activity that will effect the kind of January/February period.

Looking at free preview that was in the month of November that went to all western distributors, John announced the roll out of movie central series on demand, which his universal on demand availability for all of the series programming, now in Calgary, Edmonton and Vancouver. We continue to drive the high definition side of the business with two HD channels. And of course, with all of the Christmas activity with HD TV purchases we were very much in on that promotionally.

So that, in addition to the strong programming line up for the early season January/February, we know we're going to be picking up momentum. And, we'll notice that in Q2 and beyond.

John Cassaday: Jason, does that satisfy your question?

Jason Jacobson: It certainly does.

John Cassaday: OK.

Jason Jacobson: Thanks very much.

Operator: Thank you and our next question comes in from Carl Bayard from Genuity Capital; please go ahead.

Carl Bayard: Yes, good morning. Just a couple of questions, mainly on the TV side. I was just wondering if you guys could breakdown for us, how specialty ad groups fared for kids versus the adults group. And, I noticed there was a seven percent decrease in your SG&A in the television group. I was just wondering if that's sustainable for the balance of the year.

Paul Robertson: Well, it's Paul here. I'll start on the first one. I think we wouldn't specifically break out the kids versus adults in all of our reporting, but I can certainly give you a flavor for it. Kids, we expected to be soft, because of the toy business, and because of the way the theatrical spill more in to the second quarter. So we were in a decreasing position on kids in the first quarter. And we were into high singles on the adult business, as John reported.

As you get into the second quarter, the overall trend on specialty ends up in the kind of high single digit range, which is a much more normal level and the kid comes back in to growth and adults, of course, will be in the double digits.

Carl Bayard: So you are seeing some of that spending coming back to the kids channels, in Q2.

Paul Robertson: Yes. We were pleased that our projections that the theatrical releases would kind of help us more in the second quarter is coming through. What turned out to be a lot better in theatrical in Q2, compared to Q1. But it's not—we're still not away from the overall mega trends that we've been talking about in the kids area, relating to concerns bout childhood obesity and the profile of the demographic and those sorts of things.

So we've projected in kids, that we can do kind of single—low single digits to mid. And we still kind of maintain that profile, despite the softness that we saw in the first quarter.

Carl Bayard: Great. And, I have a couple of questions for Tom, just in terms of, if you look at the impact of the restructuring costs, on an after tax basis, if you could just confirm, I've got about five cents a share for the restructuring charge, and about three cents for the change in accounting policy for financial instruments.

Tom Puddie: Carl, it is Tom. I think the number is probably closer to three cents on the restructuring charge. And let me just come back, I guess, to your second question, with respect to SG&A on TV. One of the reasons SGA was down was because we did take the restructuring charge. As you recall, we reduced headcount by about 50 people in September. So you're seeing the benefit of that. And, as you recall, it was part of our strategy because of our programming costs having increased, we wanted to be able to offset that. So we believe we've done a pretty good job on it. And it's one of the reasons you're seeing continued strong TV margins.

I guess, with respect to your question on financial instruments, yes, it does cost us a couple of cents for having done that particular change.

Carl Bayard: OK. And could you just give us some more details into that change in accounting policy? I know you mentioned in the MBNA, if you could just spell it out for us in laymen's terms.

Tom Puddie: Sure. I guess, there's probably—well, I think we've done a pretty good job of detailing it in the notes to the financial statement. And if you do read the accounting policy, we think we've done a good job. As you can see, we had to adopt comprehensive income calculation. That's really kind of similar to U.S. GAAP reconciliation.

The big item there was our interest rate on our debt of ((inaudible)). And items that are considered to be a hedge are reflected in your comprehensive income, items that are not considered to be a hedge go straight through the EBITDA. So, if we have an item where we've been hedging performance share units, that's not a hedge from an accounting point of view. It goes directly through the EBITDA.

And in the other case, we had to adjust for financial instruments, so that can be things like programming rights, where you have an effective interest rate on those, and adjust the cost. And as a result, it increases our interest expense.

Carl Bayard: OK. Great. Thanks for the detail.

John Cassaday: Thanks, Carl.

Operator: Thank you and our next question comes in from Bob Bek from local CIBC World Markets; please go ahead.

Bob Bek: Hi, thanks. Just to fine tune, actually, John Hayes, I think you mentioned you're sort of targeting seven percent radio growth in your sort of tracking in Q2. Now, was that overall excluding Quebec? I'm just trying to ((inaudible)) because obviously, the number would be pretty big if you had Quebec included, am I right to exclude it?

John Hayes: No, that's including Quebec.

Bob Bek: Interesting, thank you. Just on the TV side, John, one of the variables you put to there, is the ramp in the west on (Shawford's) digital television product.

I mean we saw a great deal of growth in 2007, perhaps some of that was masked by the end of The Sopranos? Would you believe that that was the case, and then which case, the expectation for strong (Shaw) digital growth in '08 would ((inaudible)) starting to see that in the subscriber amounts?

John Cassaday: Well, there's a bit of a lag in the subscriber numbers but, I think, the first point you were asking is do we expect (Shaw) digital growth to continue, and the answer to that is yes. I mean it's such a robust service with high speed Internet, the number of channels that are available, telephony. I think there's a massive push on the part of (Shaw) to continue to expand their digital base. And, we of course, capitalize on that.

If you'll recall, the digital base is currently only about 50 percent, so we think there's lots of upside. Our penetration for pay within those digital subscribers is only 50 percent. So, we think we have both the market and the share opportunity going forward, and that's why we continue to be so optimistic about our ability to grow this business.

The other thing that Paul mentioned that's underlying our continued optimism is the consumer side of the business, where we're seeing high definition televisions become as common as toasters on people's home. And people are going to want to have access to high definition boxes to capitalize on the picture quality that's available to them now.

Bob Bek: And just the last question, you've been aggressive on the buyback and you've renewed the SIB, but the stock options have largely taken that out in the last year. I know that's hard to account for going forward, where you see some of the stock options going. But, do you think at some point, you're going to start to see a net decline in the share count given your buy back activity?

Tom Puddie: Bob, it's Tom. Yes, we did have—I guess during the first part of the fiscal year last year, stock options were kind of offsetting the buyback, but in the fourth quarter of this year, the fourth quarter from a calendar point of view, as you know, we increase our share buyback to acquiring up to the million-and-a-half that we were allowed to acquire. So, as a result, our share numbers did drop. And we do expect that to continue in calendar 2008.

Bob Bek: That's great. Thanks very much.

Operator: Thank you. And our next question comes from Scott Cuthbertson from TD Newcrest, please go ahead.

John Cassaday: Good morning, Scott.

Scott Cuthbertson: Yes, good morning. Just a couple of additional questions, I guess, just wondered if you give an indication of the materiality and timing of any contribution from the deal with (Deek and Sparrow Hawk).

John Cassaday: None to speak of, Scott. I think this is all perspective. We are very enthusiastic about NBC Universal's participation in the Kid's Co Venture having purchased the (Sparrow Hawk) shares. And, I think, obviously, (Sparrow Hawk) was a terrific partner, but NBC Universal, a committed television broadcaster with international aspirations gives us even more confidence that we're on the right track. And, as Doug and his team announced this week, additional good news with the roll out into Southeast Asia, continued progress in central and eastern Europe.

So, that's one, that I think, demonstrates the value in our library because we have been invited to participate in that, not only because of our broadcasting or packaging expertise, if you will, but most important, because we have content. And approximately 50 percent of the content in that programming is, in fact, provided by Nelvana.

Scott Cuthbertson: Yes, related, I mean you've got—announced a number of initiatives, which, I guess, has kind of fallen to the explorer part of your strategy including some online announcements selling ads on Nick.com, and stuff. Where are you in that evolution right now? And sort of what can you expect in any sort of terms you can give us? I mean will online and other sort of similar explorer type initiatives amount to 10 percent of revenues by '09, or are there any kind of metrics you can give us to help us understand better what your progress is in this area.

John Cassaday: All right, I'll let Doug comment on this because he's kind of our resident expert on this. But right now, online sales represent approximately one percent of our total revenue. As you know, from the discussions that we've had historically about our strategy in foreign explorer we've taken the view that our business will remain more like it is today, than different, up to around 2012, when we see the possibility of a tipping point.

But, in the meantime, our view is that we need to continue to explore every possible platform and try to determine where the opportunities are. So we are hunting in every area and whether it's on demand, subscription video on demand, direct on broadband.

This deal with Nickelodeon is important for a couple of reasons. One, it stabilizes—solidifies, rather, our relationship with them over a longer period of time and eliminates any uncertainty that might have been associated with that. But most importantly, it's recognition that we think that the kid Web advertising opportunity is going to continue to grow over the next little while. And we now have a very impressive arsenal of content to go into the marketplace and sell.

So, one of Paul's groups key initiatives of the next little while is to make sure that we have the core competency in selling kid Web advertising and for the first time entering the local markets, that we have mastered on the broadcast site. Doug, why don't you just give Scott a bit of a flavor for some of the things that we're seeing globally on the Web explorer side of our business?

Doug Murphy: Sure, thanks John. Our strategy with the explorer piece for our enterprise is to kind of carefully select some of the best third party partners out there that are doing some of the most innovative work around the digital sell through work. So, more recently we've done deals with Amazon, On Box, Pioneer, Hewlett-Packard. The recent announcement this week with Cool Room is a U.K. based download to own and rental digital video store front. This is all in an effort to unlock that pot of gold at the end of the long tail. What we're seeing in the marketplace today is it's still pretty much nascent and sort of infant in its revenues. But, there's more and more good news coming out there.

You know, we're very encouraged to see a lot of these digital media centers, whether or not it's Xbox 360 or PS3 or the Hewlett-Packard media player line of portable computers, or the appliances are getting better distribution, Sony (Bravia), all Sony TV sets have a broadband connection, now.

So, we think that the stage is being set. And so our approach is to carefully exploit the best partner opportunities to put our digital content out there, you know, put the lines in the water, and wait until the inevitable date comes when there's a meaningful revenue left because of this new consumer shift.

Scott Cuthbertson: Thanks very much for that. The other question I had which is, I guess, a lot more tangible, I just wondered what do you expect from the BDU hearings and how that might impact your business?

John Cassaday: Well, I think the reality is that everything is on the table. I think there's going to be a discussion about a number of issues that could impact our business. Clearly, the most important one from our point of view is the discussion around fee for carriage. And, our point will be that we in the specialty sector are making what we believe is the most significant contribution to the development of Canadian content in this country. And that, in fact, there is going to be accommodation for over the air broadcasters with a fee that that not come at that expense of specialty broadcasters, and limit our ability to have the kind of impact on the development of Canadian content in the future, that we've had up until this particular point in time.

So, those are—that's kind of the key point that we'll be making in the hearing. We believe that much of the discussion around digital migration has all ready happened. We have carved out a basic protocol with our distribution partners for the migration of our stations too digital and primary preoccupation as an industry is to maintain our revenues and our access to subscribers, so that we continue to effectively sell advertising. And I think, the reviews are on side with that particular approach, which means that, I think, over the longer term, there will be limited upside potential in terms of grade expansion for us in our discussions with our media partners. And the conversations will really revolve around packaging and maintenance of our access to consumers, so that we can continue to program effectively, sell advertising and advance our business in that particular fashion.

Scott Cuthbertson: OK. Thanks. And Tom, just a quick one, what's your black out periods for the normal course issuer bid around quarter ends and stuff like that?

Tom Puddie: Well, that's an interesting question, because we have asked ourselves, whether we should have a blackout period during our normal course issuer bid. I think we're probably going to revisit that, because we think we might be too conservative, because we don't control the purchases of the shares. We, as you know, farm that out to a third party. But what happens is that we normally black out about two weeks prior to the release of the numbers, and then we start to purchase again after the numbers have been released.

Scott Cuthbertson: So that means like you'd be buying—potentially you could buy stock today or would you wait until tomorrow?

Tom Puddie: Well, technically speaking, we could start to talk tomorrow, but what happens is we have to—the board just approved, it, and now what we need to do is we have to go to the TSX to ask for permission to actually go ahead, and do it. So it will be a while before we're actually into the market.

Scott Cuthbertson: Thanks very much.

John Cassaday: Thanks, Scott.

Operator: Thank you and our next question comes in from Ben Mogil from Thomas Weisel Partners; please go ahead.

Ben Mogil: Hi, guys. Good morning. Just a couple of questions, in terms of the VOG program that (Shaw) is rolling out for movie central, is it much more user friendly than the past versions? Or is it sort of more similar to the TMN on demand functionality?

John Cassaday: Yes.

Ben Mogil: OK and do you have a sense of how your viewership lags that of TMN from an on demand perspective, because of the new user interface?

John Cassaday: No, we don't. But what we do believe is that that interface is a real powerful churn reducing vehicle. So the most important thing for us is we have a very strong view and so does (Shaw), that has satisfied us ((inaudible)) with our pay offering. But they will be ((inaudible)) capability of on demand and with a series test is a good start.

Operator, we've got some distortion on the line here. There seems to another call interfering.

Ben Mogil: OK. So John, I mean historically some of the capable companies have talked about 50 percent of their new digital subscribers opt for pay TV. Is that a number that you're still seeing hold, if you will, in your markets?

Paul Robertson: It's Paul here.

Ben Mogil: OK, Paul.

Paul Robertson: I'll just comment on that. As you see this aggressive deployment of digital boxes and they're at a much lower price range than they used to be. I think, clearly, the strategy seems to be lets get the boxes out there, let's convert people into digital and then let's up sell them on the services, once we get that box into the home. So, that clearly puts the onus on Corus from the pay TV side to get in there, mind those new digital box owners, upgrade them into pay television.

So, when we see a great run in terms of BDU's putting these digital boxes in, then the opportunity begins for us to in and up sell into pay. So, I guess you'd say that the penetration against that digital, as these new boxes go in refuses a bit and then our job is to bring it back up with an up sell.

Ben Mogil: OK. Fair enough. And Paul, while I've got you on the line, you talked both during the investor day and then during the quarterly release, obviously, about theatrical advertising being weak for you on the movie side. I mean I know the Canadian box office was weak in the fourth quarter, but the spend was pretty strong. There were definitely a descent number of kids titles like Bee Movie and Enchanted that either opens in the first quarter, or opens very quickly afterwards. Can you talk about, are you seeing advertisers simple spend differently on the movie side?

Paul Robertson: Well, no, I think better just speak to the overall trend which is, we definitely saw a strong comeback in the second quarter. It related to the timing of the number of titles by quarter, which of course, can be very lump depending on the amount of family and kids titles that are available in each quarter. So, it does tend to bounce up and down. But no, I can't say that we've seen any major changes to the spend by title.

John Cassaday: Paul, I think one of the things that we have talked about, though, that some of these films that have been traditional targeted exclusively at kids, are finding family audiences to be, perhaps, a little bit broader than they have had in the past. So, I think while Paul is absolutely right, that the level of spending is consistent, we're not seeing any change there. There are some titles where, perhaps our share of that total spend has been impacted to some degree, as they go after all family viewership, because even the more comedic titles, the humor is sophisticated enough that mom and dad are enjoying them as much as kids.

The key thing from her point of view is that these films are doing very well. And it suggests to us, that we're going to continue to see growth in this category going forward.

Ben Mogil: And fair to say that having the women's channel cluster, as well, probably hedged you a little bit by getting some of the advertising flowing into that area.

John Cassaday: Well, we hope so. We hope so. And, of course, we want to expand that and this Cosmo launch will give us access to younger women with younger families.

Ben Mogil: And then switching to sort of a little bit about M&A, are there any TQS assets that you think would make sense for you guys in Quebec?

John Cassaday: On the M&A side, we do believe that there will still be opportunities for us to pick up orphan brands that are out there and build our television roster. But, as we it relates to TQS, no, we do not see an opportunity for us in that particular case.

Ben Mogil: OK. And then, sort of last question, if I may because I haven't asked anything from John, in terms of modeling, the interest expense that we saw in the first quarter of the year, and I realize that there's the non cash issue that had some variability, is that relatively speaking a descent run rate to use for the year, you know, multiplied by for?

Tom Puddie: Ben, it's Tom. I think so. I think the number for the year would probably wind up around the $40 million range. I think, part of it depends on how aggressive we are with our normal course issuer bid. But, I think, a number of about 10 million a quarter would be appropriate.

Ben Mogil: OK. That's great. That's it for me. Thanks, guys.

John Cassaday: Thanks, Ben.

Operator: Thank you and our next question comes in from Aravinda Galappatthige from Cormark Securities; please go ahead.

Aravinda Galappatthige: Good morning, thank you. Just the remaining question I had was on Quebec Radio. I know, in the past, you talked of the radio margin being around six percent at the end of 2007, are you still seeing that move forward? Are you still seeing that grow even despite the sluggishness you're seeing in Quebec, or is that sort of slowing down?

John Hayes: Hi, it's John Hayes. We have expectations that that margin is going to grow this year. We think our growth in Quebec will be substantial, relative to last year. And we feel that we're on track to do what we said we'd do.

Aravinda Galappatthige: OK. And one last question on the television side, on the kids network advertising, could you tell us whether the advertising there, actually declined or was it just flat year-on-year for Q1.

Paul Robertson: It's Paul here, yes, they were down.

Aravinda Galappatthige: They were down, OK. Yes, that's all I had. Thank you.

John Cassaday: Thank you.

Operator: Thank you and our next question comes from Tim Casey from BMO Capital Markets; please go ahead.

John Cassaday: Good morning, Tim.

Tim Casey: Good morning. John, a couple of things. Could you expand a little bit on what the revised agreement that you announced yesterday, means, I guess, relative to what you can do now, as opposed to where you were prior to this announcement?

And secondly, I'm just curious, what kind of economic assumptions have you baked into your outlook for the year? I mean have you assumed a steady state from '08 over '07 or are you assuming a slow down in the overall economy?

John Cassaday: First of all, I assume you're talking about the Nick deal in your question.

Tim Casey: Yes.

John Cassaday: And our previous Nick deal was an arrangement for programming only. And this arrangement does two things. It extends the programming agreement for an additional five years from this point. And secondly, it gives us access to all of the on demand Web activity, so all of the digital materials that previously were being controlled by Nickelodeon in Canada. So we are, in fact, in effect their partner on their Canadian business. And what this does for them is it puts, essentially, all of the available content, ours and theirs under one roof and provides a really compelling one stop shopping opportunity for people that are interested in reaching kids and families.

So, it was a two pronged effort, one the extension of our programming agreement on an exclusive basis. And, secondly, the opportunity to work together to capitalize on the revenue opportunity that we think, will continue to grow over the next number of years on the digital front. So, does that address that one, Tim?

Tim Casey: Yes. Just one follow up, are you available—are you now allowed to put some of those more high profile content like Dora and Sponge Bob, can you put that on your SVOD platforms?

John Cassaday: Yes, we can. And we can stream that content on our Web sites.

Tim Casey: OK. Great.

John Cassaday: OK.

Tim Casey: Yes.

John Cassaday: As it relates to the economic assumptions, the simple answer is that while we recognize there's considerable uncertainty out there, that we are taking the view that the Canadian economy will remain relatively stable and solid. So, we are not anticipating a recession or an ad recession. We are essentially assuming that Canada, on the strength of its natural resources on the general strength of the economy, the tax reduction initiatives of the government will continue to perform in reasonably strong ways.

So we're looking at two-and-a-half to 2.7 percent GDP growth. And our expectation is that advertising, overall, will continue to grow about a point ahead of GDP, which has been the historical performance level and if we're wrong on that, obviously, that's a fundamental difference in our planning assumption of going forward. But that's where we're at right now.

Tim Casey: Fair enough. Thank you.

John Cassaday: We're not seeing anything to indicate otherwise. The radio business to me is a microcosm of the economy in Canada, because it is a local business up and down the street. And with the exception of Quebec, which we talked about these markets are consistently strong, which indicates that retailers and restaurateurs and hoteliers continue to be relatively confident in their business prospects going forward.

Operator: Thank you and our next question comes in from Drew McReynolds from RBC Capital Markets; please go ahead.

Drew McReynolds: Thanks very much. My questions have, actually, all been answered. Thank you.

John Cassaday: OK, thanks, Drew.

Operator: Thank you. And ladies and gentlemen, as a reminder if you'd like to ask a question, please press star one on your touch-tone phone. And our next question comes in from Eric Mencke from UBS; please go ahead.

Eric Mencke: Thanks very much. Just one housekeeping item. Have you heard any more on the ((inaudible))? I know you're not a ((inaudible)) for them any more? But has there been any decision that you've heard about yet?

John Cassaday: There's been no further information since we last reported that we are no longer responsible for payment on part 2Bs.

Eric Mencke: Any comments on potential of a refund for previous paid fees?

John Cassaday: We have no indication of that at this point in time, and we are not assuming. Obviously, it would be wonderful news if it did happen, but at this point in time, we are just in advance on that.

Eric Mencke: OK. Thanks very much.

Operator: Thank you and our next question comes in from Randal Rudniski from Credit Suisse; please go ahead.

John Cassaday: Good morning, Randal.

Randal Rudniski: Thanks. Regarding the trends in the radio business, John, can you sort of describe the features that are different between what's going on in the French language market, and the English language market, that would explain the difference in the revenue trajectories in the two markets?

John Hayes: Hi, Randal. Well, I think it boils down to an answer that's just as simple and as complicated as two separate markets with high level of competition on the French side in both the radio and television area, for revenue. And lesser media outlets or lesser number of media outlets on the English side. And a very limited place where the Anglophone advertiser in Montreal can place advertising.

The French side has been very competitive. I think the increased number of avails on television and of falling price structure on television has had a trickle down effect on radio and those would be my two best reason for the differentiation in English and French Montreal.

John Cassaday: John, just to build on that, it's John, Randal, I think this—now that we realize fully how serious the issues are TQS, I think we can only imagine how aggressive they've been in pricing to try to optimize their revenue and keep the doors open. It would be interesting to see whether (Astro) has a similar view on this. But, our expectation is that we could see quite a different environment, in Quebec going forward if TQS and SRC are able to restore—come back to more normal pricing levels. And that, I think, we'll have a result in positive impact on radio going forward, but that's purely conjecture at this point.

John Hayes: Randal, if I could just build on what John said, I think that that's—he's correct. And we're expecting nice progress for our French locations in Montreal going forward because all of the pieces are in place. We're in very good shape. We just need the market to be there for us and we'll be showing good improvement.

Randal Rudniski: OK. Thank you. That's helpful. And just, one other question, pertaining to the pay televisions side, a little bit more specifically.

And the question really relates to Entourage and Californication, what is the status of those two series at present, i.e., are there any shows that have all ready been produced or is production of those two series in limbo owing to the strike?

John Cassaday: I can't say that I know the answer to the question on Californication. I know that Entourage is planned for another season that was to be taking place in the spring and that, I guess, that would be in question. And, probably the same is true of Californication that the next season is a question mark at this point.

Randal Rudniski: OK. And do you have a sense as to, you know, if the strike lasts to a certain point, will it sort of defer the airing of the next season's of those series?

John Cassaday: Well, I think, that's our understanding is that if the strike was protracted, that new series that would be coming about in the spring and beyond could be effected on pay—are likely to be effected on pay. But, I think, I also said earlier on that once you get to that point in the year, being—it will offload the program expenses, HBO and Showtime isn't all bad.

Randal Rudniski: Yes, and so would it be reasonable to assume that margins could actually increase, if some of these series drop off for a quarter or two?

John Cassaday: Well, I don't know how you do the calculation but except to say that the longer you go in the year, the less upside you're going to get from the subscriber standpoint on the run rate. So the burden of the programming would be pretty heavy compared to the revenue up side.

Randal Rudniski: Yes. OK, thank you.

Operator: Thank you and our next question comes in from Jason Jacobson from GMP Securities; please go ahead.

Jason Jacobson: Actually, Randal, just asked my follow up. Thanks.

Operator: And that seems to be our last question. Please continue.

John Cassaday: Thank you, Operator. Since there are no more questions, we'll remind everyone that our AGM takes place in Calgary today at two p.m. mountain time, four p.m. eastern time. We will Web cast that live on Corusent.com. So thank you for your continued interest in our company and we look forward to talking to you in the next few days and weeks to come. Bye for now.

Operator: Ladies and gentlemen, this does conclude your conference call for today. Thank you for connecting. We ask you to disconnect your lines.

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