CORUS ENTERTAINMENT

Moderator: John Cassaday
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Operator: Good day and welcome to the Corus Entertainment's Q1 '09 Analyst and Investor Conference Call. Please note that today's conference is being recorded.

At this time, I would like to turn the meeting 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 2009 first quarter report and analyst's conference call.

Thank you for joining us today, before we read the standard cautionary statement, we'd like to remind everyone that there are a series of PowerPoint slides that accompany this call. The slides can be found on our Web site, www.corusent.com in the investor relations section.

I'll now run through the standard cautionary statement. 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 filings with the U.S. Securities and Exchange Commission.

We'd like to introduce your to the Corus Entertainment team available on this call, Tom Peddie, our Senior Vice President and Chief Financial Officer' and Paul Robertson, President of Corus Television.

While never satisfied, we are very proud to report continued top line and net income growth for the quarter, despite the current economic climate. As slide 3 shows, our revenue for the quarter was 216.8 million, up 1% from year ago, while our consolidated segment profit was 81.3 million, down 2% from year ago.

Turning to slide 4, even though free cash flow in Q1 is historically low compared to other quarters, we delivered $2 million in positive free cash flow versus negative free cash flow of $2.9 million last year. Our net income for the quarter was $40.6 million versus $39.4 million last year with a 9% growth in basic earnings per share at 51 cents per share versus 47 cents last year.

From a divisional standpoint, our overall television revenues were up 4% versus last year, our adult specialty business had a great quarter with advertising revenues up 9%. Our women's channels had a particularly strong quarter, up double digit versus last year.

Subscriber revenues for the quarter were up sharply, achieving a 12% increase versus the prior year, in part due to the launch of VIVA, our new channel targeting boomer women. Movie central subscribers showed strong growth in the quarter, adding 29,000 subscribers or 3% growth versus Q1 2008 and up 15,000 subscribers from our August 31 year end number. The result is very encouraging as it proceeds the positive lift we are expecting from the launch of HBO Canada.

Our kid's business continued to be challenged with respect to ad revenue. Toys, food and entertainment remained the top categories. Toys posted positive growth this quarter, which provides us with further evidence that the category is bouncing back from many of the industry related issues we faced last year. But this gain was offset by declines in other key categories.

For the fall season, to date, YTV has regained and held the number 1 position for kids 2 to 12 in the afternoon – after school time period and has also regained the number 1 spot with boys 2 to 11 in other key time periods.

Our kid's division results were also assisted this quarter from Nelvana with Bakugan making a strong contribution.

Segment profit for television increased 1% to $64.3 million. Overall, our profitability was impacted by higher than normal expenses in this quarter, due to the launch of three new channels and the costs associated with the acquisition of the Nickelodeon digital rights. Though Cosmopolitan Television launched in February, we had programming and marketing costs in this quarter that were not in last year's comps, as well, in this quarter, we had expenses related to the launch of HBO Canada and VIVA, for which we expect to see corresponding revenue growth in Q2 and beyond.

Now, turning to our radio division, revenues for the quarter were $75.5 million, down 5% from last year and segment profit was $22 million, down 14%.

From a revenue standpoint, clusters that were above or flat to last year included Edmonton, London, Kitchener, Kingston, Montreal and our Quebec regional stations and our interactive division. However, overall our revenues were down from last year and while each cluster and station is unique, we see a common thread that accounts for some of the overall decline.

With our predominance in news talk and classic rock genres, advertising sectors that have been traditional strong drivers of growth have seen declines in these top economic times, specifically automotive, telecommunications, and financial services.

While our national automotive business was up sharply, local automotive was down in the quarter and telecom saw a 39% drop from a national sales perspective.

Visibility remains very short, but we expect both telecom and financial services to start to bounce back as new wireless entrants enter the telecommunications sector and the new tax free savings account and our RSP seasons begin.

Automotive was down from a local perspective, but pacing in a number of markets is beginning to improve. In Edmonton, for example, local ad sales for the automotive sector were down 13% in Q1, the Q2 pacing to date is down only modestly.

We would like to provide some commentary on our outlook for the rest of the year, but before we do, in summary, we believe Q1 is a solid building block for the year. Overall, revenues grew, we delivered positive cash flow and we achieved solid earnings per share growth.

Turning to slide 5, in terms of our outlook for the rest of the year, at our investor day in September, we provided our guidance for the year of consolidated segment profit of between $270 and 280 million and free cash flow of between $70 million and $90 million. Since that time, there has been significant turmoil in the global financial markets, leading to, among other things, erosion in consumer confidence and slower GDP growth and growth estimates for 2009.

Approximately 60% of our revenues are derived from advertising and there clearly is a link between the growth rate of the economy and the advertising growth rates. And as a result, we have decided to reduce our segment profit guidance to between $255 and 265 million.

While no one can predict with certainty, the length or severity of this economic crisis, what we can tell you is that our internal segment profit projection is currently above the mid point of our guidance. We also want to confirm with you that our cash flow guidance remains unchanged at a target of between $70 to 90 million.

We'd like to take the opportunity to provide some more detailed commentary on the outlook. We have a strong and diversified portfolio of assets that we believe will allow us to continue to drive positive growth overall.

First, we see great opportunity in our women's business. W net work continues to see double digit revenue growth. From a ratings standpoint, we have also opened up a double digit ratings lead versus our nearest competitor in the women 25 to 54 demographic. We were also encouraged by the launch of both Cosmo TV and VIVA. Cosmo continues to outpace out revenue targets and we see strong upside on VIVA from an ad revenue standpoint.

When looking at the 2007 CRTC returns for this channel, we are confident that VIVA's new programming, branding and target towards boomer women can improve on the $1 million in ad revenue which was achieved in 2007.

Bench marking it against Food Network or Star TV for example, puts potential ad revenue sin the range of $6 to 20 million. While it will take some time for the new brand to take hold, we see large potential upside.

Second with respect to our pay TV business, we were certainly encouraged by the subscriber growth that we saw this quarter. As you know we launched HBO Canada on October 30th. We have a strong advertising campaign and are working closely with our BDU partners to capitalize on this well recognized brand. In addition to our continued marketing and promotion around

HBO, there is also a high definition campaign that runs until March. The campaign includes direct mail, radio, on air, and online elements to help up sell HD services in the Key post Christmas period to capture consumers who bought new flat screen TVs.

We also have a continued slate of fresh programming such as season two of Flight of the Concords, season three of Big Love, Stephen Spielberg's United States of Tara, staring Toni Collette, and Real Time with Bill Maher.

On the kid's business, as we mentioned, our ratings story continues to improve and we will leverage this to strengthen our revenues. Our bookings to date, for the last half of the year have low visibility, but we are seeing some improvement in the back half at this early stage.

The integration of Nelvana into our television division is paying early dividends, as we are capturing synergy cost savings and seeing the benefits of the integration with improved ratings and growing merchandising revenues.

We can report that Bakugan was a toy hit over the holiday season, raking a top five toy in virtually all key territories. We saw a positive gain already in Q1 with merchandising revenues more than double a year ago.

The recent strong holiday performance at retail will bring more positive results for the rest of the year.

Overall, for our television division, we see continued advertising and subscriber growth. Our higher than normal costs in Q1 have helped us set the table with a trio of exciting brands that will drive growth the rest of the year. Importantly, we continue to project overall EBITDA growth for this division in the mid single digit range.

Turning to our radio division, we had a solid S4 ratings book. Out of our top 15 clusters, seven were up overall and six were flat. In the west, CKNW, CHQR, CHED and CJOB pulled number 1 ranking positions in their respective markets. these are AM stations competing with the increasingly popular FM band, so to maintain a number 1 ranking 12 plus, means that the majority of AM tuning is coming to our news talk stations.

Another key highlight was the great performance in Toronto led by Q1 '07 where adults 25 to 54 increased by 24%. It's best rating in that demographic since 2006.

We have already seen this result in an increase in average spot unit return, but also an opportunity to participate with some advertisers that includes females in their target.

Lastly, the Montreal market moved from diaries to the PPM panel methodology this quarter, and the results were positive overall for Corus. We gained three share points in the important 18 to 54 demo, in particular, CKOI gained 21% and moved up a rank in the adult 18 to 54 demo. We are aggressively selling against these strong rating results; however, we do not expect to show year over year revenue growth for radio this year. We will implement measures to offset some of the revenue declines that we experienced in the first quarter through expense reductions, particularly in markets which lag behind from a margin perspective.

We hope that you have found our comments helpful in providing an overview of our Q4 results and outlook for the remainder of the year.

Before moving to the question and answer portion of our call, we would also like to draw your attention to a recent rule ruling that impacts our business.

Turning to slide 6, on December 2008, the supreme court of Canada granted leave to appeal the decision of the federal court of appeal, concerning the validity of the so called part two CRTC fees. The FCA had held that the fees were a valid fee imposed by regulation and were not a tax that would require specific legislation.

This reversed the federal court trial division decision which led that part two fees were an unlawful tax. A hearing of this matter by the Supreme Court is expected during the fiscal year, but no decision is expected until late in calendar 2009 at the earliest.

As you know until this issue has resolved, we have accrued and will continue to accrue for these fees. For fiscal 2009 the accrual is an estimated $6 million and for fiscal 2007 and 2008, the total accrual for these 2 years was $10.9 million. We have not made a cash payment against these fees since fiscal 2006, but we will continue to accrue for them until the issues is resolved. We are obviously very pleased with the recent decision and will continue to work with our broadcasting and cable partners to push forward our position on this matter and drive for a favorable outcome.

We'll now take any questions that you may have.

Operator: Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press star then 1 on your touchtone phone.

Our first question will be from Adam Shine of National Bank Financial.

Adam Shine: Thanks a lot. Good morning, John.

John Cassaday: Morning Adam.

Adam Shine: Just quickly in regards to maybe just starting with trying to isolate the contribution of VIVA, I appreciate you know low advertising so not much of a move there, but you've acknowledged the contribution to subscriber fees. Any way to give us more of an organic contribution from TV revenues?

John Cassaday: Modest from an ad revenue perspective, reasonably significant from a subscriber perspective, the one thing that I believe you'll see in our report to shareholders is an attempt to try to isolate the impact of all of these items and collectively, if memory serves, there was about $6 million in incremental expense in the quarter that we did not have a year ago to essentially promote these new services.

Adam Shine: OK, that – yes, those are the 5.5 million of costs. you know as we move forward, you alluded to this a little bit earlier in your presentation, but as we move forward obviously its still early days with HBO, still early days obviously with VIVA as well as you know the Nickelodeon rights that you've just picked up, those are the digital rights. You know how should we look at costs on the TV side related to these issues moving forward? Still some additional start up elements, but obviously tracking (significantly) lower from that five and 1/2 level in Q1.

John Cassaday: I think significantly lower. I think the bulk of our start up expenses were driven into – into Q1. I think you'll see our cost position improve significantly for TV going forward. The one thing that I would say is that based on anecdotal evidence – not evidence, anecdotal comments. we are extremely positive about the likelihood of meeting or exceeding our stated goal of improving our subscriber base by 50,000 subscribers and we are also hopeful that at some pointing the future, given the success and impact of HBO that there will be pricing opportunities afforded to (sum that) brand.

Adam Shine: You know just reverting to pay TV you know obviously heading into the quarter, that was the benefit, I guess, from a timing perspective related to Entourage, Dexter, a few other shows that the writers strike had moved from sort of May 2 renewals to the fall, I guess you know fundamentally, those would be the issues driving the increase rather than any material contribution yet form the HBO Canada launch right?

John Cassaday: That's exactly right. And I think this is a function of two things, first of all, as you all know, our three principal customers are Bell TV, Star Choice and (Shaw), and (Shaw) has made a real concerted effort to drive digital. We also have – are really pleased that they have made a decision to go to a universal SBOD platform which we believe is a real key contributor to the reduction of churn. So, we're really quite optimistic about it, but I think that the big drivers are, as you say, the new programming, the concerted effort on the part of (Shaw) to get these digital boxes into their subscriber base, and of course what's happening on the electronics' front with people moving to high definition flat screen televisions, all of this is conspiring to results in I think a real renewed growth period for pay TV in general and we expect with HBO that we can really put the cherry on the cone here and get the most advantage out of it as possible.

Adam Shine: I just – you know it's – I guess, it's a funny broadcast period heading into Q2. Now, I know you guys adjust when you report, but I think you'll lose – the broadcast here loses a week in the upcoming seasonally lighter Q2. Should that effect you guys in any way? I mean obviously you know like I said, you do adjust, but can you just talk to that dynamic a little bit?

John Cassaday: Yes, yes. I mean the way we would – the way we think about it, and we would encourage you to think about it, I'm not sure how far we're into this recession, whether we're two quarters in or three quarters in. As you know you don't know you're in a recession until afterwards, but the way I look at it is we're at least one quarter closer to being out of it. When we got through the first quarter, we think, in pretty good fashion. We grew our revenue, came pretty close to flat operating income and our net income was up.

Q2 is not a significant quarter for us or really any media company in general. You could expect that most media companies will do less than 20% of their operating income for the year in Q2. So not a meaningful quarter, and what we're hoping is that by the time we get into March, April, May, we're beginning to see the upturn. We can take advantage of the ratings improvement that we have, we can take advantage of the momentum that we have on pay TV, continue to benefit from what's going on on our television side, and of course, we will k now what the post Christmas results were like for Bakugan and you know we are very optimistic about that, about being a meaningful contributor to our results, going forward. So you know we kept our head above water in tough Q1, Q2 is not that meaningful for us, and we think we are really well positioned for the back half of this year and we hope, like all of us do, that we see some signs of recovery in the economy as we get into March, April, May.

Adam Shine: OK, great. Thanks, John. I'll circle back later.

John Cassaday: Adam, I think Paul would just like to add one comment, but thank you for your questions this morning.

Paul Robertson: Yes, so Paul here, John did a great job of kind of painting overall the effect of Q2. I think the specifically what we do is we log in is on a calendar basis, so despite the fact there's 1 week less on a broadcast year basis, it doesn't effect the way the numbers ultimately get reported.

Adam Shine: Super. OK. Thank you.

Operator: Thank you. Our next question will now come from Paul Steep of Scotia Capital.

John Cassaday: Morning, Paul

Paul Steep: Hey, morning John. Maybe you could talk a little bit about radio, as you said it was a strong book, and Quebec is actually looking like it's in good shape. Can you maybe talk just a little bit about what the fixes would look like in sort of the under performing regions or what we should think about this year, beyond you know some of the obvious. Should we be thinking about you know broader reformats in the network? Should we be thinking about bigger changes? You sort of mentioned in the MD&A some new content. How should we think about that part of the business?

John Cassaday: I think you should be thinking more in terms of us having relative to perhaps even total status quo from a (formatic) point of view.

If we were to really isolate what our issue was in Q1, it was our rock stations. An in particular it was our rock stations in Toronto, the Edge and Q107.

We had – you know I hate to use a word like this, but we had an extraordinary book in Toronto, and if there's one place you want to have an extraordinary book and if its one place you want to make sure you don't have a terrible book its in Toronto. It is the most dominant market in the radio industry in Canada, over $200 million market. So we think we are really well positioned at both the Edge and Q107 to begin to recover the softness that we experienced in the first quarter.

We were also soft at you know Rock 101 in Vancouver and I think this is characteristic of the fact that those rock stations are largely dependent on the two categories that were most obviously impacted by a soft economy.

There's not question in our mind that there is going to be a significant financial stimulus provided to the automotive sector relatively soon and that they have a job at hand which is to move cars off the lot and to prepare for the new year's sales.

In western Canada, in particular, we are really trying to give the economy a boost with the campaign focused on encouraging people to be positive about what's going on to take advantage of some of the extraordinary deals in the automotive sector, I suspect that we will move that campaign into Ontario and Quebec and really start assisting our partners in the automotive sector and moving vehicles off their lot.

So I don't think we feel (formatically) we're challenged. We dominate the male demos in Canada. Admittedly, it wasn't a strategic decision, it was a serendipitous outcome of a series of acquisitions, but we would certainly rater have the control position that we have and these stations are still very profitable than start fussing around with formats that may not be as sustainable as we know and believe classic rock and new rock to be.

Paul Steep: OK, great. That helps.

Maybe just shift gears, second question here may be for you or Paul. On the Nickelodeon content deal, obviously you don't want to get into giving us all the details, but maybe you could just give us broader perspectives on what the deal means in terms of long is the deal? Is it going to increase costs? And then, more importantly, how you're going to monetize the streaming revenues out of it in the digital side?

Paul Robertson: Sure, its Paul here. First of all, from a term standpoint, it's a very long term deal. So there won't be a renewal coming up anytime soon. What we really did is we added our – we extended our program output deal, so we now have control of everything that comes out of the Nickelodeon channel, whether its animation or live action and the live action portion has been doing very well for them lately, so we're pleased to get a handle on that.

And then, in addition to that, we've added the digital rights, and that includes representation of all the Web sites of Nickelodeon in Canada, it includes VOD rights on all the programs, broadband streaming rights, and as I think everyone appreciates you know this is the growing part of our business. So you know we think we can continue to build that side of things, sort of 10, 20% a year.

In the early going, there was a lot of blocking and tackling to do to get the assets in shape so that we could employ them in the market in the most effective way. We can report now that we've now got it under control and working well with our customer.

So you know we think there's a lot of interest out there, we're at the early end of building that digital business, but we think it will be a growth engine for us as we go through the years.

Paul Steep: OK, that helps. Last one, for me I guess, for Tom actually, just a small couple little house keeping ones.

One on CapEx, you mentioned that you know sort of deleted some things, how should we sort of think about the ramp through the back end of the year, and then secondly, did better disclosure around the ARs, not that the changes were material, I think just for the economy, it'd be useful, you couldn't see the year ago period if we've seen any big shifts there, in terms of the agent.

Tom Peddie: OK, Paul, thanks. The – from a CapEx point of view, and I guess from a guidance point of view, if you first – I guess if you look at our depreciation levels last year as being around $21 million, we're expecting our depreciation levels to be in that area again this year, because most of our capital expenditures will be pushed more towards the fourth quarter.

As you know we have a commitment to build out the water front, which is going really well. We're really excited about that particular opportunity and the – but at this particular point in time, because of cash flow issues, we'll probably reduce our capital expenditures by about $5 million for the year.

With respect to accounts receivable, that's certainly something that's capturing a lot of our attention, where we monitor all of our accounts daily, weekly. We stay in touch with all of our customers. You know John's used the word partnership, we work together with the agencies you know we're certainly concerned bout their ability to pay, we're certainly seeing a slow down in the payment of receivables. You know we're seeing our receivables move by you know a couple of days outstanding. But at this particular point in time, we're not seeing any significant impairment.

Paul Steep: Great. That's great. Thanks guys.

Operator: Thank you. Our next question will come from Bob Bek of CIBC World Markets.

Bob Bek: Actually, my questions been answered. Thanks, guys.

John Cassaday: Thanks. Good morning, Bob.

Operator: Thank you. Our next question then will be from Scott Cuthbertson from TD Newcrest.

John Cassaday: Morning, Scott.

Scott Cuthbertson: Yes, thanks good morning. Just a couple ones left here. I just wondered, can you give us an update on Qubo and KidsCo initiatives, if they're having any impact. That's sort of playing out the way you'd hoped?

John Cassaday: Yes. Qubo and KidsCo are both playing out as we hoped. As you know on KidsCo, we've got a 33% ownership position. KidsCo is now available in over 5 million homes in Europe and Asia and over 40 countries in over 11 languages. We're getting – we've had terrific reaction and we're expecting to close on a number of new distribution partners going forward, so that's really off to a very encouraging start. And of course, both these services give us platforms for our programming in these markets.

In the case of Qubo we have only a 12% share of the equity in that company, but Qubo is now available in 12 million homes throughout the United States. We are still programming the Saturday morning block on NBC and also a Sunday afternoon block on Telemundo. We're (stripped) on the ION network in the United States, so again, a great outlet for our programming. And really the tale of the tape for Qubo will be post February with the transition to digital and our hope is that we can translate ION's retransmission consent agreements into broad distribution for the Qubo brand in the United States. So I think this will be the pivotal year.

So, so far you know we're involved in services that look very good. We have a very modest amount of invested capital in them. We have partnerships with terrific companies and we have great outlets for our programming and platforms to launch merchandising and apparel off the back of the audiences that we reach through both of those services.

Scott Cuthbertson: OK, great. A thing I wonder about is you lost a couple of new sort of YTV spin offs. I wonder if you could help us with the timing of those launches, or at least you got approval for them, sorry. I wonder if you could help us with the timing of the launches and any guidance you can provide, or any help you can provide with your initial expectations of the financial impacts of those two.

John Cassaday: We have ideas of about how we can further segment the kid's business, but I think probably Paul may have some additional comments. But I think from a modeling point of view, you probably should not assume there'd be any incremental expense associated with the launch of a new services in this fiscal year. I think that we feel that with VIVA, HBO, Cosmo and the Nick digital launch that we have (taxed) the P&L sufficiently for this year. So we're excited about the opportunities we see in the kid's area with these new channels, but from an investment point of view, I think it's more likely it will be profiled early into next fiscal.

Paul's agreeing, so I think we're safe with that response.

Scott Cuthbertson: OK, and finally, just on the kid's channels, you did provide a little bit of color there, but you mentioned food and entertainment as being issues with toys as well, and you say that's kind of starting to bounce back. Are we still suffering form the recalls? I mean are there significant movie releases which will help the entertainment category going forward? I mean that's – this has been one of your core franchises and it's been challenged a little bit for several quarters now. Are we – you think we're finally turning the quarter on that? I mean what should we look for as the major catalyst to get that business back to where it was you know a year or two ago?

Paul Robertson: It's Paul here. I'll tackle that one. The – we're encouraged about the prospects for the kid's business, but probably be relating more to the back half of the year. Our tracking data is showing that you know based on the kind of timing of the Easter seasons and the business that we've been able to book to date, that we're looking to showing more strength in the third quarter.

I think from a category standpoint, the toy side of the business has been a challenge for us, and we think a lot of the issues that have been associated with toys have really flown through the system and they're kind of behind us.

With respect to food, I think, we think also that the manufacturers have done a really good job in terms of retooling their product lines and looking at the advertising model and returning back to advertising in some – when in some cases they'd pull some of the money out of kids and into adults.

So you know we're still very positive about this sector and we think that we will start to show better tractions as we get into the back half of the year.

Scott Cuthbertson: OK and my final question is on radio, just noticed you know a pretty big swing in the agency part of radio. I mean agency was the strong part of the – at least demand on that was very strong last year, I think it was almost 10% growth overall for '08 and yet, that's the weak sister in this quarter. What's going on there and what should we look for going forward?

John Cassaday: Well, the principal reason for that is that we did a reorg in Ontario and we repatriated about three categories from CBS that we wanted to deal with on our own, and I think what we saw there is a swing out of the CBS originated national business into local. So I wouldn't read too much into that. I think that the big, big item in terms of national declines was I think timing related and that was telecom and Bell Rogers had been very, very aggressive in Q1 last year. I think everybody basically has gone into a tucked position, getting ready for a new competitive environment. And I think the wireless segment will be a huge area of growth for radio going forward when we start to see the new wireless competitors come out and the incumbents protect their positions.

Scott Cuthbertson: OK, that's very helpful. Thanks very much.

Operator: Thank you. Our next question will now be from Ben Mogil from Thomas Weisel Partners, please go ahead.

Ben Mogil: Hi, guys. Good morning.

John Cassaday: Morning, Ben.

Ben Mogil: So I wanted to follow up first on something Scott was talking about with Qubo. We've seen guys like For Kids program the Fox block and that turned out to be very unsuccessful for them. can you talk about sort of what you're doing different than say, what they did and other guys that purchased the you know morning blocks and have ended up failing and why you sort of see your model as being a little bit different?

John Cassaday: Well, the first thing is that we paid a lot less to program the NBC block, and I would not say that the NBC block, even at the very low rate that we paid has been profitable for us, but its bean a beachhead to impress regulators and parents in the United States about our educational positioning for the brand. So we position this as a safe haven for kids and a brand that parents can really embrace, but the big difference is that with For Kids, they made a significant investment in that block. They were using it as a – I think a launch pad to try to establish a merchandising success.

We didn't look at it that way. So much of the kid viewing has migrated to the sort of themed networks like Nickelodeon and away from broadcast TV that we really looked at the NBC block only as a way of getting exposure for it. It's not a long term commitment and if we can't parlay that into the kind of broad based digital distribution that we believe is possible, it is not a key component, if you will, of our Qubo strategy. Our Qubo strategy hinges on digital distribution, not continued programming of that Saturday block on NBC.

Ben Mogil: OK, thanks. That is very helpful, thank you.

When you sort of saw, obviously the numbers coming in you know in September, October, November, and obviously even into December and January, what specifically sort of shocked you the most in terms of the weakness in either by asset class or – I mean I know obviously radio was weak, but by geography, can you talk about sort of where in specifics you were really surprised at what deteriorated very quickly.

John Cassaday: Sorry, Ben. Can you just repeat that? You broke up a little bit here. I apologize.

Ben Mogil: Sure. What I'm curious about is as you know sort of from the time you gave guidance and until the numbers came in and even into December and January, what areas of either the country geographically or asset class, particularly like sort of talk radio, music radio, did you sort of end up seeing (deaccelerated) or sort of went negative much more quickly than you had originally anticipated. I'm trying to get a sense in general of where you guys were sort of surprised if you will?

John Cassaday: Well, I guess the – I guess I'd say that here were a number of things. First of all, it's very clear that the economic news is not all bad. One of the things that I think we have a tendency to think is that we are in this big doldrums, there are a number of segments that are doing very well. Quick serve restaurants is doing very well. Probably many of you saw a major article in the New York Times last Sunday citing McDonald's numbers as being up I think it was 6% if I recall. Paul and (Chris Pandoff) and I were into another restaurateur account and their quick serve restaurant in Canada is doing very well also.

Health and beauty aids are doing extremely well. Electronics are doing very well. The entertainment has been pretty active, but less so on specifically targeted children's properties, which has been an impact on ours. So net/net automotive after market has been very strong. So there are a number of different companies and categories that are doing well, Kraft and Campbell's soup continue to perform extremely well in this economy.

So, your question is what sort of surprised me on the negative side. On the positive side there were a number of things. Really happy with our pay I know a lot of people were skeptical about whether or not we were dreaming about what was going to happen to pay in a tough economy, and I think that we have substantial evidence, part of which is provided this morning. And again, remember, these numbers that we gave you only are actuals to the end of October. So, we know that November and December were very strong on pay, we just don't have confirmed numbers there.

On the downside you know I guess the most disappointing thing for us was the performance of our Toronto cluster, it was clearly – we had soft ratings at a time when the economy was soft and as I mentioned earlier, as excited as we are about the upside that we can look forward to there, if you're soft in Canada's biggest radio market, its going to have a big impact on you. and much of the decline that we experienced overall in radio was attributed Q1 '07 and the Edge, and the third conspirator there was Rock 101 in Vancouver but the same sort of theme pervades. Otherwise, we had a lot of success stories. You know (KISS) in the long time property in the country format in Edmonton, up double digit. So there's lots of those success stories. London continues to be on fire for us. So we have so many pockets of good news it would be unfortunate if people went away thinking that the radio business is in bad shape.

I think the radio business still continues to be in pretty good shape. We had some self inflicted wounds as a result of ratings softness at our three big male oriented rock stations and we have some pretty compelling evidence that that should get better in the back half as a result of the S4 book.

Ben Mogil: OK, fair enough. And then I think the last question and then I'll get rid of – get myself of the queue. And Tom, this is more for you. I mean historically you guys were guided towards 70% of free cash being either given as dividends or share repurchases. Are you still sticking with that number?

Tom Peddie: Simple answer, no. We were in the market buying shares of of course probably up until probably the middle of October. We have not been buying shares under our normal course issue or bid. We do not currently have a plan to purchase more shares. Its unfortunate because the shares are trading at such low levels and represents great value. But our feeling is that we should be retaining our cash to give us some flexibility. We certainly will maintain our strong dividend policy. But we want to have the financial flexibility because we think that there could be some opportunistic acquisitions out there that we could pick up as some pretty good prices. So our focus would be more on conserving our cash for flexibility, maintaining a strong dividend policy and being opportunistic on acquisitions.

Ben Mogil: OK, that sounds great. Thanks, guys. Appreciate it.

John Cassaday: Thank you, Ben.

Operator: Thank you. Our next question will be from David McFadgen from Cormark Securities.

John Cassaday: Hi, David.

David McFadgen: Yes, hi. Just a couple of questions, so just on the television business, it was asked earlier, but in terms of the organic growth rates for advertising and subscription, the ad revenue decline was 1% in the quarter, I imagine you'd have some ad revenue from your new channel launches, but I guess it wouldn't be that significant. So, would it be safe to say that the organic change for TD advertising in the quarter was say, down low single digit. Or would it have been down mid single digit.

Paul Robertson: It's Paul here. It'd be down low.

David McFadgen: Low? OK. And then, can you give us any color on the subscriber organic growth rate? Would it have been sort of up low to mid single digit?

Paul Robertson: In terms of adding all the subs together?

David McFadgen: Yes, like if I looked at it organically it would exclude the new channel launches and the COP.

Paul Robertson: OK, yes, I got you. OK, so if you took – if you looked at rather than kind of doing an aggregate subs, which is kind of hard to get at because of the different rates. If you looked at the overall sub revenue, which was up 12% in the quarter, if you adjusted for VIVA, which is a significant chunk, you'd still be in the plus you know mid single digits.

David McFadgen: OK. And then, just on movie central, because you only had HBO in for say 1 month in the quarter, now we're in the new year, can you give us some sort of anecdotal evidence in terms of how that's going and has that caused the growth rate to increase? Any feedback from the BDUs yet?

Paul Robertson: It's Paul again. Absolutely. First of all, just so – just to remind people of the kind of lag effect. We don't get the data from the BDUs until they return the payment to us, which is you know in the 60 to 90 day range. So, that's typically the kind of lag effect we get on reporting the data. So, if – given that HBO was launched on October 31st, add 60 to 90 days and that's where we're at.

So you see the effect of HBO is going to happen sort of in the second months of the second quarter. So, that's January, right? So, if you look at the second quarter, we know that we had major activity behind HBO, every single BDU supported us with the launch, whether they had a 3-month free period or direct mail, major media blitz, outdoor radio support, extensive radio support. So it was a major, major blitz and a total focus by the customer service reps during that time period.

Now, what we're hearing from all of our majors is that they've been able to add a significant number of subscribers behind the promotion of HBO, so we know that when we get to the second quarter that we'll be able to report a significant up tick. We can't tell you how many, but I think that John reinforced at the outset that you know we were counting on the (nad) of 50,000 subscribers through the year. What we're hearing anecdotally you know really reinforces that and boy wouldn't it be great if we can do even more than that. But you know we're – this is one area of the business where it continues to roll. The economy seems to favor activity inside the home rather than going out of home and this is just a great value to get the package of movies and series that people are enjoying. Particularly when you add the on demand feature, which as John said, is now available throughout (show).

David McFadgen: OK. And sorry, just – I meant to ask one other additional question on the TV advertising trends. In your disclosure, you talk about kids advertising being soft, so was it down similar, like say low – low single digit?

John Cassaday: Well, it was a little – it was a little softer than that. I'd say it was down more like mid to high singles.

David McFadgen: Mid to high?

John Cassaday: It was not a great quarter on the kid's front. And as we said earlier, we felt that from the timing standpoint that the back half of the year was going to show better results on (kids).

David McFadgen: OK. And then – and then just a question for Tom, I guess. Assuming that the part two fees concludes negatively for the broadcast industry, would those fees not be captured in the EBITDA?

Tom Peddie: Yes, David its Tom. What we decided to do, as you know in Q3 last year, was to keep it below the line as – and so we could highlight it. So we – because we had it in, we had it out, and we said that we'll leave it there. if it turns out going forward that that's a tax that continues to be applied, then what would happen is it would move up to the segment profit line.

David McFadgen: OK. And so your guidance this year – your revised guidance, does that – just as a matter of clarification, does that include or exclude the part two fees?

Tom Peddie: Well it did – it excludes the part two fees, just like last year's number of the 252 million excluded part two fees.

David McFadgen: OK. OK.

Paul Robertson: And David, its Paul here. Just one more comment on the kid's front.

David McFadgen: Yes.

Paul Robertson: In the consolidating of the departments with Nelvana and television, I mean one really great aspect is that the performance on Bakugan is really showing a terrific growth curve and when you – when you take kind of the Bakugan and some of the ad (challenge) we've had on the kid's front, Bakugan really helps to build the business back up. So we're – we kind of balancing the portfolio there a bit by putting these things together.

David McFadgen: OK. All right. Thank you very much.

Operator: Thank you. Our next question will now come from Drew McReynolds of RBC Capital Market.

John Cassaday: Morning, Drew.

Drew McReynolds: Good Morning. Thanks very much and I guess thanks for the revised guidance, it's nice to again see guidance in this type of environment.

Just a couple of follow ups here, first on the visibility, maybe a question for John, maybe if you can comment on you know what the visibility is in your businesses perhaps relative to the last conference call in October, or you know relative to the end of the year.

John Cassaday: Well, the – first of all we are spending a lot of time with our customers. Paul and myself and others have been with all of our top agency partners one on one over the past 90 days. We are encouraging all of our people to stay close to our retail customers. And what we are hearing from them is a very consistent theme, and that is that we expect that the advertising will flow as is currently planned, but that we are being encouraged to hold onto our money to the latest possible time. I think many advertisers are taking the view that an ad booked tomorrow could well be less expensive than an ad booked today, so why not wait till tomorrow.

And furthermore, instead of booking 52 week business, like we've done in the past, lets book 13 weeks and then take our chances on the spot market. So the first point that I would make to you is that none – none of the major agencies are saying to us that they expect the business to be significantly down. In fact, that expression that you've heard that's become kind of a cliché in our business, flat is the new up, is where everybody's at. Everyone's expecting their business will be at least as solid it is year – as it was year ago.

Secondly, the visibility is not what it was and what it's been in my 20 years in broadcasting because people are hanging onto their money later and later. So you know we're a little bit I guess (schizo) if you could – if you would, from looking at the sheets, but then the revenues just keep rolling in.

I guess I'd say in summary, visibility is not good, but the outlook that we have from all of our customers remains possible and the evidence to date suggests that the money is rolling in, albeit later than it has historically.

We're out in Calgary now, spent a lot of time talking to our sales reps in the Calgary office and their pipeline is strong. You know clearly there are sectors that are hurting, but you know they're talking about places like the construction housing sector that didn't have to advertise out her because the demand was so high in the past and now looking to radio to help them move product. So we continue to be optimistic but visibility is weak.

Drew McReynolds: OK, thanks. Thanks for that. And just with respect to your revised guidance, were there a set of economic assumptions that you went with underlying that guidance? And if you could share with us, that would be very helpful.

John Cassaday: That's a good question. Our process for forecasting our business is very thorough and solid and time tested and think you can attest the fact that historically we're done a pretty good job at delivering the numbers that we anticipate delivering.

So we have a monthly forecasting meeting. It is a bottom's up forecast, and for example, in radio it comes from each individual cluster is aggregated regionally and then consolidated nationally. The same is done on expenses. So what we were faced with at our last forecast meeting was a number that was slightly below the low end of our previous guidance and we simply determined that it as the fair thing to do to revise that guidance this morning, based on what our new number is. So, as I said in my opening comments, our actual forecast is above the midpoint of our new guidance. It is a bottom's up forecast. It is done you know incorporating the input of each of our reps in each of our business units and profit centers across the country, so we are confident that based on what we see today, that that's achievable.

Now you know one of the alternatives is to simply say that we will miss our guidance and we're not going to give new guidance because who knows what the future is, and perhaps some of you are saying that's what we should have done and I can tell you that we did discussion that possibility, but where we netted out is that we've always tried to be transparent, we've always tried to provide our shareholders with a sense of where we think the business is going and this is our best estimate of where we're going to end up the year, based on all of the input that we have today. And you know believe me when I tell you, we are not anticipating any miracle recoveries in the back half. This is our real realistic look at what the next 9 months of our business year will turn out like.

Drew McReynolds: OK, thank you. just on the free cash flow guidance, obviously, reiterated the previous range and if I guess a question for Tom, just based on your earlier comments on CapEx you know is there any other thing you're doing with respect to free cash flow that you know flows through to maintain that relative to obviously lowering the EBITDA guidance.

Tom Peddie: Yes, Drew, it's Tom. The number of things, building on what John said about our detailed analysis, so you know we're doing the detailed analysis on the EBITDA, and we therefore we do the detailed analysis on the cash flow and when we look at you know the short fall in our revenue you know we're offsetting that with the lower expenses and you know controlling all of our discretionary spending.

As I mentioned, we're looking at a lower CapEx. Our interest expense at this particular point in time we think would be probably about $5 million les than what we had originally thought it would be, and that even – and that's you know assuming that our debt number is about $700 million. but with interest rates having dropped you know our effective rate on interest right now is less than 4% so we have some opportunities there, and you know we're clearly watching the working capital side, and you know particularly on the collection of accounts receivable and you know doing the matching, so if we're seeing slow cash coming in, we're a little slower with the cash going out. So, at this particular point in time, we did not feel that it was necessary for us to change our pre cash flow guidance.

Drew McReynolds: OK, that's helpful Tom. Thanks for that. And then two hopefully quick ones here, I guess, first for perhaps John, just back on the radio side, we've talked about automotive, financial and telecom categories. I guess one that hasn't been really discussed is the retail category which is obviously a big one. Just wondering you know what you did see in Q1 09 on the retail side, and you know how that compares, obviously, with you know maybe a run rate as of today.

Tom Peddie: Well, retail is obviously a funny one because I think we're all interested to hear what the outcome of Christmas was. But there's a couple of things that are really quite positive, first of all, retail did remain our number 1 category in Q1 and was up, in fact, almost 3% versus year ago. We are hearing rumblings that Wal-Mart is looking at getting into radio. We've had confirmation that (Zellers) is going to get into radio. So while you know you might think that retail is going to be a real soft spot, we're in fact getting some encouraging signs about retail and certainly Q1 was not a disappointment at all.

Drew McReynolds: OK, that's helpful. And my last question, I guess, to Paul. Once of the concerns certainly out there, with respect to pay television, outside of obviously the good growth you expect to see from HBO Canada, some of the programming is you know what the resilience of this business is in a downturn and you did allude to you know folks turning to in home entertainment. Just wondering you know have you built in a little bit of cushion here, in terms of higher churn if people do want to you know eliminate kind of premium tiers from their cable or satellite bill?

Paul Robertson: That's – Drew, that's certainly always a challenge, managing the churn and insuring that you're sort of adding more new subscribers than churn out. I think that you know all we can say on this one is that we've got all the opportunity you know we could hope for in terms of the programming, the new brand, the customer support, the alignment with them. We couldn't hope for much more in terms of the marketing for us. so you know we think that we can build new subscribers in such a rate that if we do lose some of the – you know if the bucket leaks a bit out the bottom, we'll be putting enough water in the top to show the kind of growth numbers that we're looking at here. You know we're feeling very positive about it.

In terms of the value of pay televisions, it really is an extraordinary value as people – you know for the kind of costs, once it's kind of packaged in with the VIP package and this sort of thing to get the range of movies on demand that they get and the series, it really is terrific.

We also come back with boxing in the new year, which we haven't even talked about that. That comes in January and again, it's another opportunity to go after some subscribers that have a particular interest. So you know I think we're very well positioned on pay her to exceed you know any churn we might experience.

John Cassaday: Drew, I just want to – its John, I just want to clarify one thing. The retail number that I provided, so everyone is aware of this, is a national number. I don't have a consolidated local retail number. So just to be clear, that 3% growth rate I talked about for retail was national.

Drew McReynolds: OK, thanks very much.

Operator: Thank you. Our next question will come from George Holland of GHE. Please go ahead.

George Holland: Good morning, gentlemen.

John Cassaday: Morning.

George Holland: There was some discussion that you touched on very briefly about digital and online, could you just expand a little bit more about what your intentions or plans are with regards to increasing online revenue?

John Cassaday: Well, we have a very active online program; all of our radio stations have strong online presence. We're extremely committed and well positioned in the kid's online area. And on the specialty side and pay side, we also have an online business that we develop. Many of our advertisers when they book now are looking for what they would call integrated campaigns, giving them some online presence in addition to their traditional online media bookings and that – our online business in total continues to grow nicely. It represents less than 5% of our total revenue, but it is an area of our business that is growing double digit and is profitable.

George Holland: OK, and do you have any intentions to kind of expand with regards to Internet TV? You mentioned VOD of Nickelodeon content and creation of online specific content?

John Cassaday: Well, we have 3400 episodes of children's programming, that programming is available through a number of platforms globally. again you know we've talked in the past about our strategic focus, which is (Corin) Explorer, this fits in the Explorer category, there's not a lot of revenue derived form there, but we feel its important that we be very experimental, explore all of these platforms, and we're one of the few Canadian broadcasters that is well positioned in this regard because we actually control a significant amount of content.

George Holland: OK, all right. Thank you.

Operator: Thank you. Our next question comes from Jason Jacobsen of GMP Securities.

John Cassaday: Morning, Jason.

Jason Jacobsen: Hi, good morning. Just a couple of questions, just first as it relates to the macro environment for radio, I know Corus IPO'd in '99 but just drawing from your past experiences, I'm just wondering if you can compare this ad environment to that of the early 90's and I guess, what I'm really trying to drive at is you know radio experienced a couple of the worst years in its history, around 3 to 3.5% decline in that range, and I'm just wondering you know if that's something you're contemplating at this time.

John Cassaday: Again, it would really be dependent on what the economy performs like going forward. I think radio probably is the best bell weather, if you will, of what the overall economy's happening because of its immediacy. You know, its – we feel the pain of our customers on a daily basis. We also benefit when things get good for them.

So, right now, our feeling is that radio will continue to perform flat to plus two this year. I'm just looking for the tram results thus far for – somebody help me here. What do we got in terms of growth rate in the first quarter.

Tom Peddie: John, just while you're looking for that answer. Jason one of the other things that – this is Tom. One of the other things that you should keep in mind is that you're comparing the early 90's and there is some fundamental structural differences in radio now than there were in the 1990s. One simply is that we now have the two plus – the two plus rule. So that you know we have an awful lot of competitors now who have forced agents in the market, which they did not have. But we also have greater concentration with the big players, and what that has done is brought, I think, better stability to the market. Certainly better stability from a pricing point of view. And I think therefore, a better approach to working more closely with your advertising client. So I think there's some structural differences then to now which I think will help.

John Cassaday: But Jason, the radio market for Q1 was flat, and – so I think that's probably again, indicative of what my outlook is for the year, flat to plus two, I still think is a decent number for radio going forward.

Jason Jacobsen: OK, thanks. And just to clarify, within your results, you said that local was down 6%, national down 10. The division overall though was down five. Is the difference specifically interactive revenue?

John Cassaday: No, its – you know again, you've got to remember the skew is largely to local, 76% of our business or so is local. So that's why you don't have just an average arithmetic number there.

Jason Jacobsen: OK, and then – is just one final question, I guess, just to clarify on specially television, I guess, if I'm hearing you right you know you're expecting overall revenues for – ad revenue I guess to be relatively flat for the year?

Paul Robertson: It's Paul here. No, I don't think we were suggesting that. I think we're looking at the overall market in thinking that plus to plus six number on specialty is…

Jason Jacobsen: OK.

Paul Robertson: Looks about right and in terms of our own performance, while we've been laying a bit on the kid's side, we're really doing terrifically well on the women's side to kind of offset. So you know we think we can track with that kind of mid single digit outlook from a market standpoint.

Jason Jacobsen: OK, great. Thanks very much guys.

John Cassaday: And Jason, there would be some obviously some Web advertising in that number to get you to the five overall.

Jason Jacobsen: OK. Thank you.

Operator: Thank you. Our next question is from Tim Casey of BMO; please go ahead.

Tim Casey: Morning, John. Thanks.

Operator: You did not have a question, Mr. Casey?

Tim Casey: No, I'm good. Thank you.

Operator: Thank you.

John Cassaday: Thanks, Tim.

Operator: Next we have Randal Rudniski from Credit Suisse. Please go ahead.

John Cassaday: Morning, Randal.

Randal Rudniski: Good morning. I've got a few quick ones, I think. First of all, again on the guidance, recognizing that it's a bottom's up approach, but would the approach entail a better economic environment in the back half of the year, even if its not a robust recovery. But an improving environment?

John Cassaday: I would say no worse.

Randal Rudniski: OK. And then, a couple points of clarification. The 5.5 million of incremental expense that's been referred to, related to HBO, VIVA, Cosmo, et cetera. Is that purely a promotional expense item or does that include you know the cost of operating Cosmo and VIVA?

John Cassaday: It's a total, but is predominantly marketing related, but it does include some G&A.

Randal Rudniski: OK, great. And second clarification question, it relates to the presentation, especially TV ad revenues for the adult services plus 9% year over year, does that include VIVA, recognizing that VIVA's going to be small, but…

John Cassaday: Yes, yes it does.

Randal Rudniski: OK. And then, lastly you know so when you initially thought the guidance was we were kind of in a previous economic world and as we've moved through fiscal '09, can you sort of take us through what – hw you've responded in terms of the cost side of the equation?

John Cassaday: Yes. Good question. A very aggressive part of our activity over the last several months has been on cost containment. Management committee has taken a 5% pay cut as an example. We have been scrubbing all of our G&A accounts, travel has been significantly curtailed, conferences have been cancelled, Christmas parties were cancelled. You know these sound like very modest initiatives, but I'm only raising then to give you some sense of how seriously we are approaching the task of eliminating all non essential expenses. We are doing everything in our power to avoid layoffs. There are some areas of our company where we have cost issues where we will have to take action in terms of layoffs. But our first priority is to get this done by eliminating non-essential expenses and our people are responding very, very well to that.

So, we'll also be looking at programming very carefully. We want to continue to invest in our businesses, ensure that we have strong ratings coming out of this, but every program purchase is being examined very carefully, just top to bottom, clamp down on expenses, maximize cash flow and ensure that if we get some wins at our back on the revenue side that you know we'll be able to outperform. But we're extremely – extremely diligent on cost control right now.

Randal Rudniski: Would it be possible to put you know like range in terms of dollars in terms of what you've pulled out so far?

John Cassaday: No, it's in the millions.

Randal Rudniski: OK, thanks very much.

Operator: Thank you. Ladies and gentlemen, if there are any additional questions, please press star then 1 on your touchtone phone. And currently, Mr. Cassaday, we have no other questions.

John Cassaday: All right. Well, we'd like to thank everyone for their active participation in the call this morning and we look forward to talking to you in the days that come. Bye for now.

Operator: Thank you, sir. This does conclude your conference call for today. Once again, thank you for participating and at this tie, we ask that you please disconnect your lines. Have yourself a great day.

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