CORUS ENTERTAINMENT

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

Operator: Good day everyone and welcome to today's second quarter analyst conference call with Corus Entertainment. As a reminder, this call is being recorded.

At this time, for introductions, and further comments, I would like to turn the call over to Mr. John Cassaday, please go ahead, sir.

John Cassaday: Thank you, Operator. Good morning everyone. It's John Cassaday. Welcome to Corus Entertainment's second quarter report and analyst conference call. Thank you for joining us today.

I'll take a moment to run through the standard cautionary statements. But before we begin, I'd just like to remind you that we have a series of PowerPoint slides today to accompany our call, and the link to these slides can be found on the investor information page of our Web site, corusent.com.

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

I would now like to introduce you to the Corus Entertainment team available on this call. Tom Peddie, our Senior Vice President and Chief Financial Officer; Paul Robertson, the President of Corus Television; John Hayes, the President of Corus Radio; Doug Murphy, the President of Nelvana Enterprises.

Turning to slide two, slide three actually, consolidated – our operating revenues for the quarter were very strong, up six percent in the quarter, and now seven percent year-to-date. Turning to slide four, our operating income was also quite strong in the quarter, up 12 percent and now running 14 percent ahead of year-to-date. Our television business performed particularly well and our corporate costs were below a year ago.

Turning to the chart on slide five, the next few slides will address some of the most frequently asked questions that we get from you in our various meetings. And first of all, as to the question of specialty TV add growth and is it sustainable, this slide demonstrates why we continue to believe that growth is, indeed, sustainable. The chart clearly demonstrates that with revenue (in packaging), that only 60 percent as it relates to revenue share, versus audience share, that the gap is still large, offering significant growth potential going forward.

The television bureau just released their growth rates for the period ending February and the year-to-date of this – the 12 month rolling year-to-date growth rate for specialty television was at 12.5 percent, again, a very strong level of growth for specialty TV.

Looking to slide six, we wanted to address another frequently asked question and that is as it relates to our pay TV business. And in this chart, you can see that our estimate is that are 1.9

digital households in western Canada, and we penetrate approximately 50 percent of those digital households with movie central.

By 2001, we expect 2.6 million households and penetration of somewhat greater than 50 percent. So clearly, the message from this slide, is there's still considerable upside in digital subscriber growth in western Canada, and there still continues to be considerable opportunity for us to grow our share of that digital universe.

Turning to radio and slide seven, we continue to be confident in our ability to grow our business. This is largely due to the opportunity that we have in Quebec, where our margins are less than five percent, as compared to 33 percent in the rest of Canada. So this would be relatively new information. But the point to be made on this slide is that Corus is performing extremely well, with best of class, in terms of our margins, throughout Canada. But that in Quebec we have considerable opportunity for growth and are quite excited about those prospects.

Turning to slide eight, you'll see some of the reasons why we are confident, that we can continue to grow our Quebec operation. And what we've provided for you here is that action plan going forward. Starting at the top, with the decision of (Pierre Arcand), our Quebec regional director to enter the political arena, as a candidate for the liberal party in the recent election in Quebec, we have now consolidated our reporting relationships in Quebec, with two senior executives, on in Montreal and one in the balance of Quebec, reporting directly to John Hayes. This eliminates a layer, and of course, reduces our costs in that operation.

Also, we have centralized our operations in Montreal, previously at five separate locations. We have now integrated six radio stations into one facility. And this has had the additional benefit of consolidating our management team in Montreal. And we, of course, are looking for better communication to result in better execution. And finally, we see considerable cost effectiveness opportunities by getting our people working well together.

The next part of our plans revolves around creating a regional news network in Quebec. We recently received approval to flip a number of our AM stations to FM. We will be creating a news talk hub out of Montreal into Quebec City, (Gadnon, Sherbrook, Tra Riviera) and (Saganay). This will allow us to, obviously get access to more regional dollars in Quebec, and provide a cost efficient network to serve these markets throughout the province. We also believe this will more effectively allow us to compete against the market leaders, (Astral and Cogicol).

And then finally, you'll see in Montreal a number of important changes. Yesterday, we repositioned CKAC, the AM news talk station there, to a sports talk format. This is the only sports talk format in Montreal, French. On (CQua), our big FM music station, we have undertaken extensive research and made a number of management changes there. And our hope and belief is that we will recapture share that has recently eroded and return that station to its powerful position.

CFQR, our English station in Montreal, is also implementing a strategy to regain our adult contemporary lead. This is still a very, very strong station, but our intent here is to dominate the adult contemporary market in Quebec, and we're confident that we can do that. And then, of course, we are riding the success of CHMP, our recently repositioned rock formatted station into an all new station. And this station has grown, and in fact, exceeded our expectations.

Turning now to slide nine, we wanted to give you a sense of what's going on within Nelvana. And this slide demonstrates what's happening at our studios and you'll see from this chart, that we are now producing to meet the needs of Corus Entertainment properties in Canada. We continue to build our library on a cash flow positive basis.

On slide 10, 11, and 12, we talked to the option value of Nelvana. The slide on page 10 talks to the impact of (Backyardigans), which we see as the property with the most imminent potential to deliver significant revenue opportunities for us. We have outstanding broadcast placement for (Backyardigans) worldwide with encouraging rating performance. It's on Nick Jr. in the United States, (Trios) in Canada, (Televisa) in Mexico, and Nickelodeon internationally. This award winning content is now in the third production cycle. We have 60 episodes produced. Early indications in Canada are quite strong, and a number of you have talked to us about your experience and trying to source the product in Canada. And Nickelodeon as our international merchandising agent, is planning a full consumer launch in Q4 2007, and globally starting with the U.K. and Mexico.

So what's this property worth to us? If the (Backyardigans) is a hit, which we would sort of (dimensionalize) as generating annual revenues of $1 billion worldwide, which is similar to Dora the Explorer, it would generate approximately 10 to $15 million per year in EBITDA for Corus.

We also have been successful recently in creating new channels using our library. Turning to page 11, you'll recall we spoke at our last meeting about the creation of (QBO) in the United States. This was the first of its kind partnership between MPC Universal, Telemundo, (ION) Networks, which was the former PAX Net, Classic Media and Corus Entertainment. Advertising and sponsors have proven to see value in this children's channel, positioned towards literacy and family values. A bilingual English and Spanish children's channel was launched in September 2006, on three analog blocks, and ratings have exceeded expectations. A digital terrestrial television linear channel was also launched in January of 2007, and distribution negotiations are underway with multi service operators and telco's in the United States to further develop the growth of (QBO).

And then, if you to turn to slide 12, you'll probably have noticed there was also a press release from us, this morning, announcing yet another significant option value creator for Corus and that's the creation of (Kid's Co). (Kid's Co) will be a kids channel focused on Europe, Asia Pacific, and South America. This is a three way equity partnership between Sparrow Hawk Media Group, (Deak) Entertainment, and Nelvana Enterprises. This particular consortium will leverage Sparrow Hawk's global distribution center in Denver. You'll recall, this is the group that recently acquired the Hallmark business internationally. And this newly created (Kid's Co), will launch four to five separate satellite feeds over the next 18 months, to distribution children's channels, in more than 30 different countries.

We're positioning this as a fourth voice; (Kid's Co) will differentiate itself from Disney, Nick and Cartoon Network by offering the best of the independent content from around the world.
And just a reminder, in the little bar chart on the bottom, nine years ago, with an initial $2.5 million investment, five partners, formed (Teletune), which is, today, valued at approximately $500 million. Corus is confident that both of these two channel opportunities that we talk to you about, (Kid's Co) and (QBO) have the opportunity to create significant share holder value. And then, finally, you will have noticed, we had a third release that came up this morning, that we announced the dividend increase to a $1 a share on the non voting shares, and 99 cents a share on the voters.

So that concludes our formal presentation. We'll now turn the call over to you, to address any questions that you may have.

Operator: Thank you. The question-and-answer session will be conducted electronically today. If you would like to ask a question, you may do so by pressing the star key followed by the digit one on your telephone. Once again to ask a question on today's presentation, press the star key followed by the digit one on your telephone. We'll pause for just a moment to allow your signals to reach our equipment.

And we'll move to our first question from Joel Sutherland from Merrill Lynch.

Joel Sutherland: Hi. Just a couple here. Can – thanks for the (QBO) update. Just on the viewer trends, I think I have the premiere on September ninth, that's 302,000 kids, between two and 11 and then on December second, 447,000. How – since then, though, can you give us some color on how – on what viewer trends have bee like in 2007?

John Cassaday: Are you talking about our results on (QBO)? Which particular property are you talking about?

Joel Sutherland: The actual viewer trends for (QBO) for the net for the…

John Cassaday: Well I can tell you, Joel, that those results have continued to improve. The most recent results I saw out of NBC showed ratings up versus their previous block, which was populated by discovery up in the 40 percent range. We also were performing very well on Telemundo. So there's been excellent trajectory in those ratings, and we're now starting to attract advertising as a result of that.

We know that this year, all we'd really be doing was positioning ourselves for the kids up front. And we feel we're in pretty darn good shape on that front.

Joel Sutherland: So most of the data that I have shows about between 400,000 to 500,000 kids are watching. Is that – has it broken through 500,000?

Doug Murphy: Yes, Doug here. Yes, we've certain weeks where it's gotten up to 600,000 on some of our shows on the (QBO) block, (Jay and the Dragon) specifically. But the mean tends to be around 500,000 kids at this moment.

Joel Sutherland: OK. Super. Just a quick housekeeping question. For the addition to investments in Q2 going to 50 million, versus nine million last year, is this movie central related with Rome and what not?

John Cassaday: I think it's a (judge all) ((inaudible)). It's the general investment in our programming. So, as a result, you could see from a cash flow point of view, we were using a fair bit of cash in the first part of the year, but we'll see a lot of cash generated in the back half of the year.

Joel Sutherland: And will that investment come down a bit in the back half of the year.

John Cassaday: Yes, it will.

Joel Sutherland: OK. And lastly, can you give us just an update on the massively multi player online games initiative?

John Cassaday: Paul can turn that – I'll turn that over to Paul, Joel, but we had a very exciting start to that.

Paul Robertson: Yes, we've been well received. This is Paul. We launched the (big rif), I guess, about six weeks ago. We are logging 112,000 registered users, which is a very good number, beyond our expectation. The sponsorship interest is very high, and I think it's because it's an exciting new initiative, that's big enough to allow them to position their brands inside the offering.

So we think it can attract revenue in the short term, and with the kind of traffic that we're seeing on it, it's clearly creating something of importance for us for the future.

Joel Sutherland: Just a quick follow up, I'm sure you're following the whole (Webkins) phenomenon closely. Do you see anything that you might be able to do in that regard?

John Cassaday: Well we've made a huge commitment – are you talking about just the cool Web things in general?

Joel Sutherland: Just tying in your merchandise with – well with maybe something like this, the massively, multi player, online games.

John Cassaday: Yes, we're all over this. We've made a huge commitment to developing YTV.com. (Teletune) is also doing a very impressive job on the Web, and our user base is growing substantially. We've also launched our direct to own broadband with Treehouse, and we're now finding partners anxious to join us in that initiative. So it is a major commitment for us, and one that we see has significant growth opportunities, and one that we are able to monetize. In fact, we're operating our kid Web sites on a marginally, profitable, but certainly on a break even basis.

Joel Sutherland: Thank you very much.

Operator: Thank you. We'll move on to our next question from Adam Shine from National Bank Financial.

Adam Shine: Some housekeeping. I've got EBITDA contribution for (Teletune) in Q2 at around 1.1 million. Could you just tell us what the revenue contribution might have been from (Teletune) specifically. And then, also just in regards to the sort of industry comparables in the Q2, I don't know if 12-and-a-half percent would be the number for specialty TV, but if it's in that range, maybe if you just confirm that. And also, what the overall (I) trend would be in radio, just from an industry perspective.

And then, maybe one for John. Can you just talk about, you know, the dynamic, I guess, during the Q2 was such that a bit of a soft patch, maybe seasonally related in December and January and then a pretty strong resuscitation in February, up around 6.7 percent or so. So could you talk, maybe about what you're seeing in terms of pacing going into Q3, let alone any further visibility beyond there?

And then lastly, maybe just for John. You know you seem to be kicking on all cylinders, you know very strong results to the first half. If you simply take the first half and add it to the second half of last year without any adjustments, you know, you get basically to the bottom end of your range. Do we get to a point, maybe next quarter, where you might finally be comfortable to maybe up those range parameters? I'll leave it at that thanks.

John Cassaday: I'll start with the last question, Adam, and then ask John to comment briefly on radio projections. Paul, can then touch base with you on the issue of specialty ad growth in the quarter. And then, Tom, can address the question on (Teletune).

We are still in a wait and see – taking a wait and see attitude overall guidance for the year. At this point, we are staying within the guidance that we provided previously, which was 230 to 240. And we are just uncomfortable moving it, because we've never done it in the past. And as you know, visibility, particularly on radio revenue, while it's been very, very good in the last several weeks, there's still uncertainty as we head into the summer months. So I guess, the succinct answer to your question was that we are not going to increase our guidance today, nor are we going to lower it.

Adam Shine: OK. Fair enough.

John Cassaday: John, can now comment on the radio business.

John Hayes: Yes, Adam. The add trend in radio continues to be fairly good, and within the range that we had predicted. We're up by 4.2 percent as an industry year-to-date. We're looking for maybe plus five percent growth in the third and fourth quarter. We're pacing to that now. National continues to be strong; it's a little bit higher than that pace. The local pipeline looks good within our stations. But as John said, it's still a week to week business. So we're – we'll just have to wait and see.

Adam Shine: Actually, John, before you pop off, just in terms of sort of the standard dynamic that's sort of out there, are you seeing any changes from, you know, them or others in terms of the competitive landscape, pricing related?

John Hayes: No, not really. I think that within standard, it's business as usual, until they have a deal finalized, and then until they close. And we don't expect the dynamic to change.

Adam Shine: OK. I mean can I get from you what the industry might have been from your perspective in Q2, what the growth would have been?

John Hayes: It would have been 3.5 percent in the Corus markets.

Adam Shine: OK, great, thanks. Right, thank you.

John Hayes: I can't speak for the markets where we don't operate.

Adam Shine: Absolutely.

Paul Robertson: It's Paul here. From a specialty television standpoint, the advertising momentum is very strong and is logging at about 12 percent year-to-date and that's pretty much our expectation for the last six months. Corus's performance has really been very consistent with that. It's been led primarily, by outstanding growth numbers on W and CMT and a little more moderate on the kids front. But we're really encouraged to see the third quarter trend on kids, being a lot more positive in terms of the upside. So overall, I think the simple answer is that we see the market in the 12 percent range, and the Corus can track with that number.

Tom Peddie: And Adam, it's Tom. With respect to your question about (Teletune), if you've not had an opportunity to read the shareholder's report, we highlighted in the TV section. We were saying that excluding the impact, the (Teletune's) specialty advertising grew by 10 percent for the quarter, and nine percent for the six month period. And we then went on to say that from a segment profit point of view, it represented about three percent of the quarter, and three percent of the year-to-date of acquiring the additional 10 percent.

Adam Shine: Right. But you don't break down the advertising versus subscriber revenues in terms of absolute numbers. So I was just trying to get what the overall revenue growth contribution might have been.

Tom Peddie: Yes, I mean I guess to your comment, with respect to profitability, if we were saying it was three percent, it would be three percent of $40 million.

Adam Shine: Perfect. Yes, so that's the 1.1.

Tom Peddie: Yes.

Adam Shine: Maybe, if I can just flip back to Paul for one moment, we've got Rome – sorry, we've got Entourage and Sopranos coming up, I guess April eighth, are the premiers, are you seeing, sort of a surge in subscriber numbers in the last week or too?

Paul Robertson: Well I wish we had at the minute tracking. But what happens is the broadcast distributors really present us with the numbers with a lag effect. So often, we really don't know exactly what the subscriber lift is until about 60 days or so afterwards. So, you know, all I can say is that the trend here looks pretty encouraging, because we're at $870,000 subs at the mid year, which is up nearly nine percent to last year. And, you know, we've had the stretch target to get to that 900,000 number. And we've got, as you say, the second half of Rome that will help Sopranos, that will help the second half of Entourage. So we've really packed our marketing effort into the back half. And while we'll see some of that marketing expense effect, in the back half, we're really confident that we're going to be able to get to a very strong opening position, or closing position for the year, on the subscriber base.

So it's a good, you know, it's a really good outlook.

Adam Shine: Great, thanks a lot.

Operator: And we'll move to our next question from Carl Bayard from Desjardins Securities.

Carl Bayard: Yes, good morning. Three questions, I'll just go one by one. First off, you know, you guys have been doing a great job of cost control in both your television and radio platform. I was just wondering can you – do you still see a lot of opportunity there to squeeze more costs out?

Tom Peddie: Well, in fact, I think our costs will be a little bit up in Q3, for the reason that Paul cited on radio and that is significant investment principally behind Sopranos for the quarter.

But in terms of our overall operating costs, we think there's opportunities in Montreal as a result of the consolidation of our facility. We continue to meet on a monthly basis to review our financial forecasts. We dissect our revenues, and we dissect our costs, and we're constantly looking for opportunities to be more efficient. So I think the focus that you see on cost control will continue, but there's no big rationalization opportunities on the horizon. It's just going to be the blocking and tackling that saves us.

Carl Bayard: OK. A question for Tom, on the share buyback front, I notice you guys have bought back only about 63,000 shares the last six months. I think, clearly, you guys have the capability to do more, I mean irrespective of the dividend increase and all of that. If you could maybe comment on why so little year-to-date and your willingness to do more?

Tom Peddie: Yes, Carl. The first part of the question was that our prior normal course issuer bid expired in December. And we were really out of the market, probably from about September through December last year. We made the decision to use our cash for the acquisition of the (Teletune) interests, the $46 million, so we thought that was just a better use of our cash.

We then renewed the normal course issuer bid, I think it was effective February the 14, or the middle of February and we started to buy, again, right away. So when you looked at our purchasers from September the first, as you say, it only amounted to about 62,000 shares. Our normal course issuer bid that we renewed for is one-and-a-half million shares. So we're quite interested in continuing to purchase.

We also follow a policy, whereby we don't purchase shares during the black out period. So we have internal blackouts from the middle of March until – actually until tomorrow. So we don't buy. Even though we don't control those particular purchases, we just feel it's prudent to not buy during the – our blackout period.

And as we've said, I guess, on a number of occasions, our overall strategy is to, right now, return about 70 percent of our free cash flow to our shareholders in the form of dividends and normal Corus issuer bids. So we just increased the dividends, so that reduces a bit of our cash for normal course issuer bid. But we continue to think that it's a good purchase for our shareholders.

Carl Bayard: OK. So you go under blackout, once the quarter ends, and then a couple of days after you release the quarter is that how it works?

Tom Peddie: That's correct.

Carl Bayard: OK. Great and last question, just on the type two fees, if you can maybe provide us a legal update there, with regards to timing what's going on there? And potentially how much could it represent for your guys?

John Cassaday: We are hopeful that the type two fees will be returned to broadcasters. As you know, the decision was made that they were illegal. We expect that that will be appealed. So we are not budgeting for that money to appear in this fiscal year. And we're taking the approach that we'll just wait and see as opposed to starting to book it or get excited about it.

But it could represent, I'm remembering…

Tom Peddie: It's approximately $5 million on an annual basis.

John Cassaday: I was going to say four million. So $5 million is the net effect to Corus, if in fact, that ever comes to be. But we're not counting on it at this stage, and it's certainly not in our projection.

Carl Bayard: And you mentioned it hasn't yet been appealed, is there any particular reason for that? Because the decision came out quite a while ago, right.

John Cassaday: I think – I'm not sure whether the actual appeal has gone in yet, but I know we've had discussions with government, and there is the intention to take action on this – on their part.

Carl Bayard: OK. Thank you very much.

Operator: And we'll move on to our next question from Andrew Mitchell from Scotia Capital.

Andrew Mitchell: Thanks. Good morning. A couple of questions on TV, and then I'd love to just come back on a couple on the radio. On the TV side, in light – it's a little early, but in light of the upcoming up front negotiations you're probably planning for, head of the sort of late spring, early summer period, you participate in that. I wonder if Paul can give us any preview on what level of price inflation you're hoping to achieve for specialty in 2008. And whether there's any trends in the market that suggest it will be lower than what you achieved in 2007?

And then secondly, I wondered if you can give us some year-to-date ratings metrics individually for W and for CMT. And thirdly, just on the (QBO) and (Kid's Co) joint ventures, I wondered if you're going to be looking at what metrics you can provide us over time to help us measure the value potential of those assets?

Paul Robertson: Yes, thanks, Andrew. It's Paul here. It's a little early to give much clarity on the up front. If that time of year were the buyer's say that it's going to be a terrible market, and (lease) says it's going to be a great market and the truth always somewhere in there.

But I think, from especially television standpoint, with the momentum we're seeing going into the year, it's going to be – we expect it to be a pretty hot discussion and a hot market. So we think there is pricing opportunity. I can't really calibrate how much. And I guess that discussion kind of leads right into the ratings performance in the sense that W and CMT have really been performing nicely on a year-to-date basis, and they're kind of both up high single digits on ratings performance. So they will clearly be well positioned going into the up front discussion. And we'll be able to take the benefit of the increased ratings, plus a price increase on top of that.

Andrew Mitchell: And those high single digit increases. Is that women 25 to 54, or is that adults 25 to 54?

Paul Robertson: Well each one – I think CMT would be done in adults 25 to 54, and W would be done on women 25 to 54. But the 18 to 49 numbers aren't going to be much different than that.

Andrew Mitchell: OK. Great.

Doug Murphy: Just on (QBO), it's Doug, Andrew, I would suggest that we're watching the ratings very carefully. The ratings story as we talked about earlier, continues to be very strong. I think the most recent NBC year-over-year date is plus 55. So were using that to go into the up fronts, and we're finding that we're getting a lot more paid advertising, paid national advertising, so that's a – I'm not sure we're going to release that metric, but we're certainly tracking that internally as a key indicator of interest on behalf of the advertising market.

And I guess, the third piece on (QBO) would be our distribution strategy, who are now in discussion with the MSOs and telco's across the U.S. And we expect the in the not to distant future, to announce some early partnerships that will lead to more growth in that regard. So that would the metrics I think (QBO) will be looked at.

On the (Kid's Co) strategy, the – I guess the key one to watch is just the launch of the different feeds. What we're doing is we're using the facility that Sparrow Hawk bought out at Denver, their media center, where they can distribute a number of different satellite feeds. And so we're going to run sort of one video feed, and eight audio feeds in different languages, to penetrate the different sort of regions. So our first target is some time in the fall to launch eastern Europe. And then, from there, we'll be talking about new fees rolling out there after.

Andrew Mitchell: Can you just remind me, just on that topic, are you bound by confidentiality agreements with your partners from releasing revenue numbers, as they do develop, over the next couples of years?

Paul Robertson: Well we'll be talking more with our partners in the coming months, in terms of how we're going to manage the kind of financial information released. So I think we can probably come back to you with a more specific answer there.

Andrew Mitchell: OK. And then, just on the radio side, two questions, I think that are relatively quick, on the cost side, you indicated a cost inflation in the second quarter, and for that matter, the first half was largely driven by accelerated promotion costs. It also begged the question; I mean do you see lower cost inflation in the back half, even with the recovery in radio revenue growth? Or do you expect to hold the line in similar level where we've seen the first half?

John Cassaday: Andrew, that's – it's John. The answer to that would be that we made some accelerated decisions. In other words, we took our budgets from Q3, and we moved them into Q1. At some locations, we're on track. We're on plan as to our marketing strategies. And our look forward into Q3 and Q4, doesn't show anything that would be out of the ordinary or above our forecast on expense as to marketing. So I think that you'll see in Q3 and Q4 that we're able to control our expenses, at the levels that we've been able to reach, so far, this year.

Andrew Mitchell: OK. And then, the last thing I had was just on the Quebec action plan. I was just wondering if you have any specific margin targets and timeframes that you've attached to that action plan?

John Cassaday: Well it's a work in progress, and we're making good progress this year. We're pleased with the progress that we're making. We've got some very aggressive plans for our budget and strat plan process for next year. So I think, you know, that next year, we'll see some acceleration in the EBITDA. We think the worse is behind us for sure. We're launching those AM/FM flips across the board as John discussed starting in (Gapno) and then in Quebec City with the new

CFEL signal. The hub and spokes strategy in the regions out of Montreal in talk and news is underway.

We've got our arms around cost and revenues is picking up in the region. So really, the questions are related to Montreal and the performance of Q92. In (Secua), there's a rating book coming out April 10. And so we feel like we're on track in Quebec.

Andrew Mitchell: Thank you.

Operator: We'll move on to our next question from Jason Jacobson, from GMP Securities.

Jason Jacobson: Hi, good morning.

John Cassaday: Good morning.

Jason Jacobson: Just to further discuss the (QBO) opportunity, I'm just wondering if – you had talked about one of the keys to that being building relationships with the partners that you have in (QBO). I was wondering if you could give any color around that, and as to whether there are any sort of ancillary opportunities coming out of that.

And then also on Nelvana, you talked about (Backyardigans) being the most near term opportunities, I was wondering if you could talk about some of the others, whether (Daigada) is still something that you're excited about. And then, just a final question on the corporate cost, just wondering if you're still looking for around 24 to 24 million.

Tom Peddie: Jason, it's Tom. I'll answer that question first, and the answer would be yes.

Jason Jacobson: OK.

Doug Murphy: On (Daigada), it's Doug. That's – (Daigada) is actually proceeding very well. In fact, we were in stores in Toys R Us, and Wal-Mart this last weekend, doing a sort of an early test of the line, and it's performed nicely. We're in the process now, of managing kind of the roll out in some key markets. So we're launching in Germany in May, France in September, and then we're going to continue in Canada. And then, in the spring, we're looking at U.K., Mexico launch and potentially the U.S., so there's great momentum behind that property. We're got a great ratings story as well, and a strong partnership with spin master at our toy partners. So some good stories there, I think that we'll be talking to you about in the future.

With regards to the (QBO) partnership opportunities, one of the great things about both (QBO) and the (Kid's Co) ventures is the ability to sit around the table with some best of breed kids players. And there's a number of conversations ongoing at the moment, but nothing that we can discuss specifically at this time.

Male: I think it's really one of the benefits of the partnership with (QBO) has been the distribution strength that NBC has and that Pax net or (ION) has. On our own, without that partnership, I think our ability to penetrate the MSOs, from the standpoint of creating this new channel would have been limited. But these guys have a lot more clout than we do, and as a result, we're able to ride their coattails. And as Doug said, we're getting some promising feedback on the possibility of launching this more broadly through cable and telco in the United States. As we said, it has been launched from the 24/7 digital terrestrial channel but that's relatively small distribution. The upside here is getting this broadly carried by cable and telco system operators across the U.S.

Jason Jacobson: OK. Thank you. And if I could just ask one other question, just on the radio, wondering if you could break down a little bit more specifically, some of the markets, namely Quebec, Edmonton, Toronto and Calgary, as to how your assets performed, versus those in the market.

Male: Well, as you know, Jason, we're reluctant to give out information that's real specific. But the markets that you mentioned were Edmonton, Toronto and Calgary is that right?

Jason Jacobson: Yes, the Quebec ones, as well.

Male: We're pleased with our performance as to Tram, in terms of leading the market in those places this year. We've got some vulnerability in Montreal English, because of the competitive situation. But the others are doing just find and head of the market.

Jason Jacobson: OK. Thank you.

Operator: Thank you. We'll move on to our next question from Scott Cuthbertson from TD Newcrest.

Scott Cuthbertson: Yes, good morning. A couple of quick questions, just for the first half of the year, you're tracking a bit below where you wanted to be, I think, in terms of radio emergence, you're sort of 25 percent. And I think you talked about 28 percent for the year. John, do you think you can make it up in the second half? Or should we be looking for something more in the current range, in terms of emergence?

John Hayes: No, I think we can make it up in the second half. As I've said, we've accelerated some of the marketing expense to the first quarter of this year. The last two quarters are looking strong right now, in revenue, and we think we're going to be right on plan when it comes to margin. Although to be honest you know, we don't look at margin so much as we do as overall EBITDA performance.

Scott Cuthbertson: Sure.

John Hayes: Scott, one of the things that we did this morning by demonstrating the performance in Quebec was not to be critical of our Quebec operations. As you know, we've had a tremendous amount of transition there, and we're really in a restaging effort. But what we wanted to clearly demonstrate is that we're not 26 percent ratio margin operators. We are operating the bulk of our assets in the 33 percent range and we're very proud of that. And we think that we stand toe to toe with the best of class in that regard.

We think that the opportunity to move our overall corporate margins up is clearly demonstrated by the fact that we're operating it under a five percent margin in Quebec. And while we've been reluctant to give specific guidance as to where we're going, you know, suffice to say, we wouldn't be in that market, if we didn't think it was an attractive market, that offered, A, good revenue growth opportunities. And B, the possibility of acceptable levels of profitability, which in radio are certainly double digit. So we've got clear milestone set out in terms of where we're going to be going forward, but as John said, with the transitions from the AMs to the FMs, the creation of these news talk network, the work that we're doing on improving our music delivery at (Secua) and (Q), it's a work in progress. We feel we've got the right people and the right plan in place. And now, we just have to see how the numbers roll in. But we're confident that Quebec will be the most significant contributor to our growth going forward.

Scott Cuthbertson: Thanks, John. And if I could just drill into that a little bit further, can you help us out on a timing. I mean you've obviously got a lot going on with the Quebec initiative. Can you help us with respect to the timing of the flips when you'd expect the ratings performance to sort of get some traction there? And, you know, when that will turn into financial performance, if things go according to plan?

John Cassaday: Scott, we're going to have all of the flips competed by the middle of Q4, in fact, June, I think is the last launch of the AM to FM flip. We're starting in Quebec City in May, and (Gapno) is testing now, so we'll be up and going by June.

And two things will happen. One is there's a lot of excitement in the local markets, all ready, just for the flip to FM. So revenue and advertisers are looking very promising there, because everybody understands if 80 percent of the audience resides on FM, that we've got a much better chance to fish where the fish are. So we think that we'll start to see some revenue traction in Q4. And our big push is going to be on Q1. That will be tied to promotion.

I would also mention that we have the ability to broadcast on AM and FM for some period together, and that gives us the opportunity to move audiences from our AM stations over to FM, as well as to attract new audiences from FM, from other stations.

Scott Cuthbertson: That's great. That's very helpful. And just finally, John, while I got you here, I'm just wondering if you can help me understand a little bit, I mean we've seen a trend here for a while in radio, but you've go, you know, local being kind of flat, and the growth being driven by national. I just wondered if you could talk about that about that a little bit. What's driving it? Do you expect it to continue? And, you know, what opportunities do you have to maybe do a little bit better on the local side?

John Cassaday: The pacing going forward and what's in the pipeline looks pretty terrific. I mean there's a lot of robust growth in revenue categories, such as pharmaceutical and insurance, movies, and entertainment, financial. Telecommunications has been very strong and will continue. We're doing a lot of business on the telecommunication side, the (Tellis Rogers Bell) area with the flips, or your ability now, to change providers and keep your cell phone number. Technology has been a good area for us as well.

You know, it's hard to say what's happening between local and national. We know that a lot of advertisers are buying across the board and that just helps them from a process side of how they buy to use national agencies. Locally, you know, we're – I can't say we're concerned, but it's definitely got our attention that local across the board, as to (Tram) and also within some places in Corus, is not performing as well. And we're taking steps to make sure that we're not missing anything on our local sales side, and our local sales departments.

But, you know, looking forward, Q3 and Q4, as I said before, are pacing pretty well. So we're very optimistic.

Scott Cuthbertson: OK. I'll leave it at that. Thanks very much.

Operator: We'll move on to our next question from Drew McReynolds, from RBC Capital Markets.

Drew McReynolds: Thanks very much. Good morning, four questions here. First, just for John Hayes, can you just remind us the Quebec contribution in terms of revenues, if you can give us that data point?

John Hayes: Tom is looking at me and shaking his head. Nice try, Drew.

Drew McReynolds: All right. We'll move on. Just, I guess, for Doug, how many episodes were delivered in Q1 and Q2, I'm sorry if I missed it in the press release?

Doug Murphy: In Q2, we delivered 34. A little Q1 information, just give me a second.

Male: We'll find that for you.

Doug Murphy: Yes, I'll come back to you.

Drew McReynolds: OK. And just also, for I guess, Doug, here, a good disclosure on (Backyardigans) in terms of quantifying if it's a hit, what it means to Corus. When do we know, or when do you know whether this really is a hit? Is it effectively the Q4 launch here of the international merchandising kick off? Or, you know, what signs do we look for here?

Doug Murphy: Well there's a number of – first of all it's not a science, it's an art. But for the most part, some of the things you need to look for is strength in the U.S. marketplace. And the encouraging thing is that Nick rolled out the Fisher Price line in the U.S. last year, and it's had some very good sale throughs. So that was the first check in the box.

Next up, you go into key bell weather international markets, we describe those for you in our deck. You know, U.K. and Mexico were very, very important markets on the toy side. And so we like to see strong sell through, when we go to the kind of launch of the international line for Fisher Price. In parallel to that, the U.S. business will be rolling out either categories, so you want to see the business broadening in the U.S. market. The U.S. market, really kind of leads the international market. So I guess, the two things that we're looking for is continued growth of the business in the U.S. across more categories of product. And then, continued strong sell through on the Fisher Price line internationally.

If you see those two things, then we remain very bullish.

Tom Peddie: Drew, it's Tom. With respect to the number of episodes delivered, we didn't disclose the metric in Q1. I think the important information is the slide that John talked about at the opening of our presentation, that we're looking at delivering 100, 150 episodes because the orientation, as we said in the deck is to produce programming for our own product our own channels, and that's really what we're doing. And the goal is to make sure that it's kind of self financed. And we're certainly achieving that particular goal.

So the way it operates now for Doug, is that he gets those particular episodes and has the opportunity to market them worldwide. So it's an important metric, but it's not the real metric for value going forward.

Drew McReynolds: OK. Thanks. Tom, just one last question for you, then. Just switching gears here in terms of your dividend policy, just wondering, you know, you said returning 75 percent of free cash flow to shareholders, or 70 percent, I can't remember, exactly that metric. But is there a maximum dividend payout ratio that you're comfortable with here in terms of, you know, trying to strike the balance between dividends and share repurchases?

Tom Peddie: I think it's a combination of factors. As we said, we currently were targeting 70 percent of our free cash flow, going back to our shareholders. I think part of that was driven by the pressure on a lot of organizations for – because of income trusts, so we looked at that. We had talked last year, when we were looking at these numbers is trying to make sure that our yield is certainly north of two percent. And we also were looking at probably a maximum, maybe 50 percent of prior year's normalized net income.

So, you know, we're doing pretty well against those targets. I think the other factor is that our debt number – our net debt to EBITDA is 2.5 times. And we don't see any particular advantage in reducing that number down significantly, we think a better – if we don't have a use for the cash, then we should give the cash back to our shareholders.

John Cassaday: Also it's John. We did a fair bit of homework on this question if dividends or share repurchase. And the conclusion that we came to supported by a lot of literature is that it's a combination of the both that seems to have the most impact on stocks. So we need to just reassure you that as aggressive as we are on the dividend, that we do expect to execute our normal course issuer bid. We will be buying shares. And we will be buying shares in the range indicated by the NCIB.

Drew McReynolds: OK. Thanks very much.

Operator: And just as a reminder, that is star one to ask a question today. We'll move on to our next question from David McFadgen from Cormark Securities.

David McFadgen: Yes, just two questions. The first one relates to radio. I guess, in order to improve the EBITDA margin on the (collect) business, it's primarily a function of revenue growth.

Male: That's correct.

David McFadgen: OK. And then on the (Kid's Co) channel, what's your equity stake in the channel.

Male: It's 32 percent.

David McFadgen: OK. So it's just even. And I saw in the notes you're committed four million U.S. to cover the start up losses, beyond that initial commitment, do you expect that there's going to be ongoing start up losses that you'll have to be funding?

Male: At the moment we don't. The $4 million is designed to get all of the feeds up to cash flow break even, but of course, it's a start up venture, so we'll have to evaluate our progress as we continue with the venture.

David McFadgen: OK. Has this venture all ready – I mean I guess it's all ready struck agreements in Central and Easter Europe for the distribution all ready, is that correct?

Male: There's been ongoing dialogue. The deal itself has just recently been inked. There's been ongoing dialogue in parallel with a number of carriers around the world. And very, very many of them express interest in having a fourth voice. But we can't get specific about where and which countries and what carriers have been signed up at this moment.

David McFadgen: OK. You know, I'm sure you can't provide it, but what I'm curious to know is the Hallmark Channel, the international channel, is it generating a lot of EBITDA. I know you can't quantify it, but is it fairly large?

Male: Well we're not involved in the Hallmark Channel so that's their private information. What we're doing is taking advantage of the fact that they have a commitment to build their business. And they are going to build it by launching a series of genres starting with kids, off the base hallmark business that they acquired. So again, we're going to ride their coat tails on their distribution arrangements and the strength of their brands in these markets. And our equity interest and our involvement with them is only as it relates to this (Kid's Co) venture. So I'd say we have – we wish them well but we have no interest in understanding how their profitability is performing on businesses that we're not involved in.

David McFadgen: Yes, I know. I was just curious to know if this could be, you know, a significant value creator over say the next couple of years.

John Cassaday: We're hoping so. And so did they, this, I mean the partners in Sparrow Hawk, are Providence, (3I) and a group of very savvy Disney executives. So clearly, we think that pedigree is very powerful here and we're very optimistic about the prospects of building great channels. When we acquired Nelvana, we talked bout the ability to use this extensively library to create channel positions around the world, combining our unique capability of both – as both the producer and packager of content. We've had a significant impact on the look and feel for (QBO). We're confident that we can add significant value to (Kid's Co) in this new venture with Sparrow Hawk. But the Sparrow Hawk group is well funded and committed to grow and to capitalize on the initial investment that they made in Hallmark.

Male: If I can just add on to John's comment, David. I think the way to think about it is that Sparrow Hawk brings a very, very solid management team that you've experienced to the table, and a low cost distribution platform because of existing capacity in their satellite up links.

So we can take the four or five feeds of which they have free capacity and reach out into multiple markets. Furthermore, they have a distribution kind of approach, using their decoders, whereby, as is I said before, they can split the feeds up. So you can send one video feed, and then eight different language feeds. So the key issue has been marrying up the management team with our distribution – low cost distribution infrastructure with two great content partners. (Deep libraries) version in multiple languages and available on a (rights basis), and that was the magic that created the (Kid's Co) opportunity.

David McFadgen: And so as you contribute programming from your library to the channel, are you going to receive any monetary compensation.

Male: The way it's structured is there will be compensation for our content which is a separate valuation than the cash investment.

David McFadgen: OK. Thank you.

Male: Thanks, David. Congratulations on your new name.

David McFadgen: Thank you.

Operator: And we'll take our next question from Eric Mencke from UBS Securities.

Erick Mencke: Thank you very much. Pretty much all of my questions have been asked. Just, lastly, on the Nevlana, the direct to customer deal you signed with British Telecom, can we expect t hear more about – some more of these type of contracts with other distributors, as well as what kind of revenue model, or revenue sharing model does this involve?

Male: The answer to your question on the direct to consumer is a key focus of ours. It's our explorer strategy at enterprise internationally. And we will be in the trade announcing a number of new, and exciting digital opportunities in that regard. We typically don't get specific about the revenue model. And we're not, at this juncture, you know, putting a lot of forecasting rigor into the future business revenues, from which those will come. We're just, at the moment focusing on key strategic partners and putting our lines in the water, and testing the marketplace.

Erick Mencke: Does that involve both Europe and North America?

Male: Yes.

Erick Mencke: Thank you.

Operator: And once again, as a reminder that is star one to ask a question today. We'll move on to our next question from Carl Bayard from Desjardins Securities.

Carl Bayard: Yes. Thanks. Just a couple of small questions. One for John, regarding the new licenses in Calgary, how many of them have launched so far, and if you've noticed any impact on the market? And I was just wondering why your application for (Cosmo) TV was refused?

John Hayes: First of all in Calgary, four out of five have launched. There's been two rock stations. One adult contemporary which is kind of soft. And then, kind of a top 40 adult contemporary station that's also launched. So far, none of these stations that have launched present direct competition to Corus stations.

There is a fifth that is rumored to be – it was licensed as a folk music station. It's rumored to be country. It has not launched yet. I don't have a timetable for that. So far, we're not experiencing any real disruption in the marketplace, because these new stations are without ratings. And, you know, like I've said before, based on our experience in Edmonton, we expect, when some of these stations did get sales people on street, and did get a little of ratings traction, that we will have some kind of temporary (cash) in the market around pricing and in a whole pile of new radio inventory, just being dumped into the market. But over time, the strong brands will retain their position. And, you know, if there is a chaotic period in Calgary within 18 months or so, it will return to normal just like (Devonton) did. So, so far so good. And unlike Edmonton, we're not seeing the direct head to head competition yet.

John Cassaday: Carl, as it relates to (Cosmo), we were disappointed with the decision that the commission made, but not unavowed – not (vowed) by it. What we've done is responded to the rationale for them rejecting it. They rejected it on the basis that it was directly competitive with star TV in response to an intervention by (Chum). We have refiled that application and refined, all of our programming commitments, so that the service is not – could not be considered directly competitive any longer. We have every expectation that will be back on a hearing in all likelihood in May and we'll get a decision in early fall, which we believe, this time, will be positive. (Cosmo) is very important to us. We are committed to building our women's vertical to the same extent that we've done with our (Kid's) vertical, and we certainly don't plan on giving up on this, and as I said, are quite confident that we have responded to the concerns that were raised by a competitor. And that there will be no reason to deny us the opportunity to launch this channel in the fall, early winter of next year.

Carl Bayard: Thanks.

Operator: And there are no further question at this time, Mr. Cassaday.

John Cassaday: That's it. All right, listen, we thank you all for joining us today. And we look forward to talking to you in the future. Bye for now. Thanks.

Operator: And that does conclude today's presentation. We do thank you for joining and have a wonderful day.

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