CORUS ENTERTAINMENT

Moderator: John Cassaday
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Operator: Ladies and gentlemen, thank you for standing by and welcome to the Corus Entertainment Q2 2010 Analysts call. During the presentation all participants will be in a listen only mode. Afterwards we will conduct a question and answer session. At that time if you have a question, please press the 1 followed by the 4 on your telephone.

If at any time during the conference you need to reach an operator, please press star 0. As a reminder, this conference is being recorded Wednesday, April 14, 2010.

I would now like to turn the conference over to Mr. John Cassaday, President and Chief Executive Officer of Corus Entertainment. Please go ahead.

John Cassaday: Thank you operator. Good morning everyone. My name is John Cassaday. Welcome to Corus Entertainment’s 2010 Second Quarter Report and Analysts conference call.

Again, 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.

We'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 filing with the U.S. Security and Exchange Commission.

We'd like to introduce you to the Corus Entertainment Team available on this call. Tom Peddie, our Senior Vice President and Chief Financial Officer is with us as well as Paul Robertson, President of Corus Television.

We are very pleased, excuse me, with our continued strong results. Turning to Slide 3 and 4 in our PowerPoint presentation. Our revenues for the quarter were $192.7 million, up 6% from a year ago while our consolidated segment profit was 55.4 million, up 9% from a year ago.

Our net income for the quarter was $14.6 million or 18 cents per share compared to $29 million or 36 cents per share last year. However, our Q2 results include a charge of $14.3 million associated with our successful $500 million debt refinancing and a reminder that last year’s results included a gain on the disposition of our Max Trax audio service.

Removing the impact of both of these items, net income on an adjusted basis was 30 cents per share in the quarter compared to 31 cents per share last year.

As we turn to Slide 5, we are pleased to report that our television division had an outstanding quarter with revenues of $137 million, up 11% versus last year and segment profit was up 12%. Overall subscriber revenues were up 14% while total specialty advertising was up 5%.

Other revenues were up double digit this quarter including growth from merchandising revenues associated with our Bakugan and Backyardigans brands.

Our kids business had a very strong quarter with overall revenues up 10%. Subscriber revenues were up single digit with growth coming from all of our kid's channels.

From and ad sales standpoint, revenues were up 10% with both YTV and Teletoon seeing double digit revenues and rating gains particularly with co-viewing. YTV continues to see strong ratings growth, which we have successfully converted into advertising revenue growth.

Recent PPM data shows that YTV's average minute audience ratings for kids 2 to 11 and kids 6 to 11 are up 20 to 30% compared to a year ago. And our co-viewing strategy continues to see success.

Average minute audience ratings for adults 18 to 49 and women 18 to 49 are up more than double the prior year. Key shows that contributed to our strong ratings growth included iCarly, SpongeBob SquarePants, Penguins of Madagascar and our new Canadian live action series, How to be Indie. Toys, food and entertainment continue to be the top three advertising categories. And this quarter both toys and food saw double-digit growth.

Our strong ratings performance at YTV has been enhanced by the addition of Nickelodeon to our Corus kids network portfolio and our complementary scheduling strategies.

As mentioned previously, our merchandising business continued its positive momentum with double-digit growth in Q2 driven mostly by the success of Bakugan and Backyardigans. For Bakugan, toy sales continued to grow in 2009 and the brand enjoyed a strong Christmas selling season. The brand finished calendar 2009 as the Number 2 boys action property globally.

Turning to our pay and specialty business, overall revenues were up 11% versus year ago. Subscriber revenues were up double digit with all specialty channels and movie central seeing increases. Key drivers for pay TV included strong performances from returning series Big Love and the premier of the Ricky Gervais animated series and our course the Steven Spielberg and Tom Hanks miniseries The Pacific.

Strong marketing campaigns around key shows such as these and the continued strong push by our distribution partners saw movie central subscriber numbers rise another 15,000 from last quarter to 973,000, a 5% increase from the same period year ago.

Specialty advertising revenues within this segment were up 1% versus a year ago. Cosmo, VIVA and DUSK all saw double digit growth in advertising revenues in Q2 with key gains in health and beauty, consumer packaged goods and retail categories.

These services also saw large rating gains. The latest AMA ratings for Cosmo, VIVA and DUSK saw 44%, 25% and 32% increases respectively in each of their key demographic targets.

Moving to Slide Number 6. Our radio division continues to trend in a more positive direction. And in cities where we own stations, Corus outperformed the overall market in the quarter and on a year to date basis according to TRAM.

Overall Corus radio revenues were down 4% versus a year ago which represents a slowdown in the decline compared to the prior three quarters. Though there are regional differences, the top five advertising categories in Q2 were retail, automotive, professional services, entertainment.

And restaurants and these - and the categories with the largest percentage gains were automotive and beverage versus last year. We also did a great job controlling costs in Q2, which helped deliver a segment profit increase of 21% versus year ago.

Looking at our regional results, Ontario had a very strong quarter outperforming the market and achieving a 4% increase in revenues versus year ago. Fueled by favorable PPM results for the Edge and AM 640 in particular, the Toronto cluster saw double-digit revenue growth this quarter. And we also saw positive gains in London, Kitchener, Cornwall, Gwelph and Peterborough.

Two key categories that saw growth in Ontario were beverages, specifically beer, and automotive. One of the big three automotive companies returned to radio spending in Q2 and the sector in Ontario in our view is poised to see further growth with the recent addition of capacity at several car assembly plants in Southwestern Ontario.

Turning to Quebec, overall revenues were down 2% versus last year but airtime revenues were up 3%. The Corus Quebec stations also outperformed TRAM led by Montreal French and Quebec City. We drove ad sales against very positive rating results on CKOI, 98.5, (SEEKA IC) Sports, CKOI Quebec City, CFOM and CIME.

In the West, revenues were down 12% versus year ago which is an improvement over the previous nine months. Across the region, the top growth categories for the quarter included banking, utilities, drugstores and home electronics.

Our Winnipeg cluster continues to outperform the market and in fact enjoys revenue growth versus last year. The top growth categories for Winnipeg this quarter were the Federal Government and foreign automotive.

Our Vancouver clusters saw a large swing in momentum in Q2 with revenues down low single digits. The cluster is performing well under PPM and key growth categories in Q2 were domestic automotive and home electronics.

In our Q1 call, we had predicted improvement in radio revenues in Western Canada in the second half of the fiscal. And while we are seeing some positive trends developing, Calgary and Edmonton remained challenged in Q2 with double-digit declines.

We expect that Calgary and Edmonton and the Alberta economy in general will lag the rest of Canada in the economic recovery. While these markets have been hardest hit by new entrants and in economic slowdown, there are some positive indicators of improvement and we do see as previously predicted the recovery of these two clusters beginning in the second half of this year.

One focus across the country but in these markets in particular has been on generating new business. In Calgary, at the conclusion of a recent new business drive, the cluster added 102 new accounts with 12-month revenue values of $2.3 million. And in Edmonton, the development of new business categories has allowed us to add almost $1.5 million in new revenue so far this fiscal.

In closing, we'd like to provide you with some comments on the outlook for the balance of the year. So if you would turn to Slide 7. We will continue to be disciplined in managing our expenses and will continue to invest in the launch of new channels.

W Movies and Sundance channel launched on March 1, 2010 and the initial response from advertisers has been very positive. We are projecting in fact that we will exceed our sales targets.

With respect to our revenue outlook for Q3, overall specialty ad revenues for the television division are currently projected up mid to high single digits. For Corus Kids we expect that subscriber, advertising and merchandising revenue will all show continued growth in Q3.

For our advertising revenues we will continue to build off of improved ratings at YTV and Teletoon. Our co-viewing strategy has delivered double digit ad growth in the first half of this year and we expect this strong trend to continue in the back half.

We also expect merchandising revenues to have another strong quarter in Q3. Bakugan Season 3 toys have launched in North America with Season 2 Bakugan toys now released internationally.

For our pay and specialty brands based on our current pacing, we will continue to see subscriber revenue growth for Movie Central and our specialty ad channels as a whole and expect to achieve our target of 1 million Movie Central subscribers by the end of this fiscal year.

For Movie Central there is a strong slate of programming in Q3 including returning series such as Nurse Jackie Season 2, United States of Tara Season 2 and new series including HBO’s acclaimed Treme, a dramatic series that takes place in New Orleans post Katrina.

Marketing support will continue in Q3 with key campaigns including a Shaw and Shaw direct welcome campaign for new digital customers. And of course a strong campaign around The Pacific that is running from February through to April and includes billboards, radio, online, direct mail campaigns and an on demand and online freeview of the first episode of The Pacific.

Finally, our radio revenues are currently pacing well ahead of last year in Q3. Canadian Broadcast Sales reports that they are seeing a strong increase in requests for avails in Q3 and Q4.

In Toronto, we are pacing up double digits in Q3 and the PPM rank positions remain stable for all three stations in the release of the first four weeks of spring PPM. And of the nine Ontario markets, eight are tracking ahead of last year’s Q3 revenue results.

In Quebec, the overall pacing for the region is up double digit versus a year ago with Quebec City and Montreal French stations all seeing gains at this point in time.

In the West, Winnipeg is pacing ahead single digits and Vancouver is finally pacing ahead double digit in Q3 while as previously recorded, Calgary and Edmonton remain behind last year.

So we hope that you have found our comments helpful in providing an overview of our Q2 results and our outlook of Q3. And we'd now be pleased to take any questions that you might have.

Operator: Thank you. Ladies and gentlemen if you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-toned prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press the 1 followed by the 3.

If you are using a speakerphone, please lift your handset before entering you request. One moment please for the first question.

John Cassaday: Operator is there a question?

Operator: We have a question from Drew McReynolds from RBC Capital Markets. Please proceed.

John Cassaday: Morning Drew.

Drew McReynolds: Yes, good morning. Thanks very much. Congratulations on a good quarter. Just a couple of smaller questions to start. Just for you Tom. The corporate costs in Q2 a little higher than what we were looking for and just wanted to get a little color on the compensation accruals. And then more importantly are you still looking for kind of 20 to 21, 22 million in corporate costs for fiscal 2010?

Tom Peddie: Yeah. Drew, it's Tom. In 2009, as you noted, our costs were down in the corporate side because we had lower incentive costs and our share price performance last year was poor. So we had lower share price compensation. And so as a result, we had an historically low number last year.

In 2010 our performance has improved so you see that our costs have increased. And at the halfway point, you know, our corporate costs were $12 million. I would say right now that our forecast for corporate costs would be about 25 to 26 million for the year.

(I) think to put it into perspective in 2008 our corporate costs were $23 million; 2009 they were $18 million for some of the initiatives that we undertook. And that we see the cost being probably in the 25 to 26 range.

One of the other items that will contribute to that is in the Q3 - towards the end of Q3 we'll occupy Corus Key. We will have some incremental transition costs on that as we're paying double rent on some facilities.

Drew McReynolds: Okay. And so just to kind of flush out that issue, obviously in the quarter you had the double rent in other expense. Can you just kind of quantify how this works from now until you move in?

Tom Peddie: Well, we're paying some rent right now on the facility and that we will - we had our leases on our other facilities of - to try to terminate in 2010 and 2011 so that we would minimize their costs in that particular area. But we're really in a situation where we're keeping our facility at Liberty Village until the end of August. So that's where we would have, you know, an extra few million dollars that gets added to our costs in Q3 and Q4.

Drew McReynolds: Okay. Okay. No, that’s great. Okay. Just a bigger picture, television obviously very, very strong across the board. Believe at the lat call you were still looking for flattish margins year over year. Just wondering if that’s still a target for fiscal 2010 and something you’re achieving.

John Cassaday: Yes. We were pleased that we had a bit of a bump in our margins this quarter. But generally speaking, that’s in fact the case that we’re looking to maintain our margins this year.

Drew McReynolds: Okay. Thanks John. And just maybe a final one on radio. Can you comment as to whether Alberta is growing in absolute dollars or, you know, are we still kind of declining but getting better off easier comps.

John Cassaday: It’s still declining in absolute dollars. In March, just looking at Alberta - hang on for one second here. Calgary we say some increase and Edmonton so far. In March we saw for the first time Calgary and Edmonton up versus the previous year as reported by TRAM. And this is data I just got yesterday.

So what we've got in Alberta is the sort of compounding effect of two factors; one, the general economic malaise that we saw throughout the rest of Canada. And then two, just the result of over licensing of radio stations in this market, which has caused some rate compression, which we anticipate will take some time to recover from.

But clearly we are seeing better results in Calgary and Edmonton, and we remain convinced that the back half will be much better for us in Alberta than the front half of the year has been.

Drew McReynolds: Okay. And if I can just push you a little more, John. You've been certainly helpful in the past just giving kind of broad strokes year over year tracking for, you know, the current quarter. So for Q3, when you put all the regions together, are you kind of low single digit up, mid single digit up? If you can give us a little color on that, that'd be great.

John Cassaday: Drew, as of today, we’re pacing up high single digits. I can tell you but we have our board meeting later today, we’re not forecasting to end up high single digits in the quarter. And I guess perhaps we’re still a little bit tentative because of what we've been through.

But, you know, as we said in our press release, we’re quite confident that the ad recession is behind us. Certainly the pacing for our radio division and our television division would indicate that that’s true. I suppose we’re just still a little bit cautious until we see this thing through for a few more quarters. But the pacing today is up high single digit across the country.

Drew McReynolds: Thanks very much.

Operator: Our next question comes from the line of Adam Shine from National Bank Financial. Please proceed.

John Cassaday: Hi Adam.

Adam Shine: Hi. Good morning. Thanks a lot. Just maybe a couple follow-ups on Drew’s initial questions. To be very clear for Tom, with respect to the duplicate rental costs, which I guess appeared below the EBITDA line in terms of other expenses, that’s effectively where they will remain. They will not creep in or they will not be Corus Key related incremental costs within the corporate cost line. Correct?

Tom Peddie: In Q3 they’re below the line. But in Q4, more of the costs will be above the line and that’s why they’re in corporate.

Adam Shine: Okay. Okay. So that’s part of the incremental delta you’re guiding us to at the corporate cost line. Correct?

Tom Peddie: That’s correct.

Adam Shine: Okay. Fair enough. And just to be clear, it’s not - it’s clearly not related to rental costs per se of the corporate cost line. We’re still seeing those duplicate costs below the EBITDA line. Correct?

Tom Peddie: I mean in 2011 we will have additional rental costs...

Adam Shine: Yeah.

Tom Peddie: ...compared to what we currently have because we've moved into a larger and improved facility. And - but, you know, those are costs that clearly we will manage to try to maintain and improve on our margins on each of the divisions.

Adam Shine: Right. And you've always disclosed at the context of your Corus Key initiative. If I can flip over to TV, you know, the results obviously were very solid and strong. I do want to try and differentiate at least on the context of what appears to be slightly lower growth than I would have anticipated in terms of the adult skewing services where I think you grew sort of 1%.

So could you talk maybe a little bit about W or CMT and whether, you know, anything was going on there on a transitionary basis?

John Cassaday: Yeah. Paul I know will be able to provide some good color on this. But let me just - you're absolutely right. There are some issues that we're dealing with on W and CMT. First of all I'd say that they are largely PPM related and secondly I'd say that they're fixable.

And in the case of W for example, we found that as we moved to PPM the impact of having programming that both the male and female household viewers were willing to watch was very positive. So we had a schedule that was largely based on transformation shows. So, you know, beauty shows where the protagonist was transformed through the course of the show.

And I think our view is that in PPM quite frankly men just weren't willing to sit through that and watch it with their wives whereas in the case of other lifestyle genres such as home improvement, there was a greater willingness to do that.

So we have suffered some ratings erosion on W. Our rank position has declined. However, we believe that that is very fixable. As I relates to PPM and CMT, the bottom line is here that video flow just doesn't perform as well in PPM as it did with the old (Mark II) rating system.

So these are I would say evolutionary issues that we've got to deal with that result in moving from one rating methodology to another. And I think that we've demonstrated for quite some time now our ability to respond effectively and quickly to changes in the marketplace and these two will be no exception.

VIVA, Cosmo, DUSK all performing very well; double-digit rating gains; double-digit revenue gains. But we've got to get - got to get W moving again and that's job one.

Adam Shine: So John, just as a follow up, are the advertisers reacting that quickly to the new measurement system? Because I was sort of initially under the impression that they will do sort of wait and see it and resist.

John Cassaday: No, I'd say it's instantaneous. I mean this is a business where revenue follows ratings. There's no period of forgiveness. You pay for it right away and you benefit from it right away. So that's just part of our lives and we see that particularly in our radio business where it almost turns on a dime. But it's also equally true in television. Paul, do you want to just make a couple of additional comments?

Paul Robertson: John, I'll just - I'll build on the point about responding immediately to ratings changes because on the positive side, we've seen our co-view revenues up about 30% a year ago. So, you know, that was all new after, you know, since September in getting the PPM (unintelligible). So we've been able to have a win there.

I guess the only other point on W - John's already articulated some of the challenges that we've got. Certainly the Q3 trend on Ws looks more positive. I think we're going to be back into a more reasonable level of growth. So hopefully we're starting to signal that the retooling we're doing is getting some traction.

Adam Shine: Okay. And just one last follow up and that'll be the end of my questions. But as you are doing the retooling, should we anticipate increased programming related expenses as you (recheck) the lineup?

John Cassaday: Well we continue to manage our programming expenses and portfolio. And don't get me wrong; we have incredibly powerful shows on W. It's just a - it's just about some fine-tuning as opposed to the retooling.

Clearly our movies, which is an area that we dominate, continue to perform exceedingly well. We have some new lifestyle programs that we've added to the schedule in Q2 that we're confident we'll begin to perform well.

So, you know, let's not misconstrue what's happening to W. It's still performing well. It's just not, you know - growth rates of 1% are not what we got accustomed to on W where we're more used to double digit. That's where we got to get it back to.

So this is far from being a problem child. It's just, you know, particular challenge that we have right now to return it to the spectacular growth that we've enjoyed for the last number of years.

Adam Shine: Yeah. I think that was the context of the question. Super. Thanks a lot.

John Cassaday: Thank you.

Operator: Our next question comes from the line of Paul Steep from Scotia Capital. Please proceed.

Paul Steep: Great. Morning guys. So why don't we take three quick things on radio? First one, in Western Canada we talked about for a couple quarters now but maybe just get John to elaborate here. The plan sounds like stay the course, don't look for cost cutting. You know, you talked about the over licensing. Is that fair like you're not going to take any top actions in Edmonton and Calgary other than focus on the top line.

John Cassaday: We are going to focus on the top line. We're also going to look at our cost structure. We believe that some of the changes that we're experiencing in

Alberta are not going to be fixed in the long term. And we will respond to the challenges that have been created for us A, to a small degree by the economic downturn but to the impact of these new stations that we're licensed in.

We've got in this market alone 10 to 12 new stations between Edmonton and Calgary that have come on over the last two years and that's had an impact on rating point - cost per point in these markets.

And we don't anticipate that once we declare victory on the ad recession being over and the overall economy improving that advertisers are going to say well then I'm prepared to go back and pay what I paid in 2008.

So you will see us respond on the cost side as well as continue to sharpen our saw on ratings and try to improve our performance versus our competitive set.

Paul Steep: Okay. Fair enough. Why don't we move further West and I'll throw the last two questions together? You know, we saw, you know, you closed the two stations at the end of January in Quebec. We've seen a pretty big lift in margins. May Tom or John can both talk about the ramp we can expect there just on fixing the AM issue and then moving forward from there on the rest of Quebec.

John Cassaday: Well, first of all, we remain totally committed to improving our margins. Certainly our performance in Quebec is improving quite nicely. We're absolutely delighted with the job management has done there both in terms of ratings and in terms of cost control. So full marks to Mario Cecchini and his team in Quebec.

But right across the country our goal is to continue to improve our margins, which we feel we can do because of the progress that we're making on some of those loss making stations that we've talked about historically.

The most important example that I can point you to is 640 AM in Toronto, which has been a significant beneficiary of PPM. Our ratings have been up substantially and our ranking has been up substantially in this new reaffirming what we always believed and that is that there were more people listening to this radio station than was being reported in the diaries.

So here's the station that had been losing as much as $2 million a year that we're confident will be in break even and move to profitability into the future. And just to remember my point, put in your minds the fact that it's our understanding that 680 news in Toronto, which is an extremely successful, highly profitable station was a money loser for seven years before it began to turn profitable. And it is not uncommon for startup magazines to be in investment mode for six to seven years.

So some of you may feel we've been too patient with 640 but this is a $220 million radio market. We believe in our product. It's been reaffirmed in PPM and we're confident that we can get a big lift there and that'll add significant uplift in terms of our ability to improve our margins.

Paul Steep: Okay. Fair enough. Last one then. You answered that and you sort of touched on the final point. So outside the top five markets such as Toronto, you've got maybe five AM licenses left. What's sort of the game plan there and how should we think about that in terms of lifting the bottom line? Thanks guys.

John Cassaday: Okay. Well first of all, largely our AM stations in the West are highly successful both in terms of ratings and profit. So if you look at CKNW in

Vancouver, CHED in Edmonton, QR in Calgary, CJOB in Winnipeg, I mean these are stations that any group would be proud to have.

We've got a couple of development stations; one in Vancouver traffic station and (I880) in Edmonton that are under the microscope right now. And we'll be looking to the general management group at our upcoming operating plan to make a case for continuing to invest in these properties.

The other two AMs that we have that are on the watch list, if you will, are CHML in Hamilton and CFPL in London. We are working hard to move those stations into a profitable situation. And we'll evaluate those as we move into the new fiscal. Other than that, I think we're in good shape right across the border.

Paul Steep: Great. Thanks guys.

Operator: Our next question comes from the line of Scott Cuthbertson from TD Newcrest. Please proceed.

Scott Cuthbertson: Thanks very much. Yeah. You mentioned that you're seeing that the - you're kind of ahead of budget on W Movies and Sundance. Had a very good initial response. Just wonder if you can help us at all with sort of broad expectations for how those are going to impact your P&L the second half of this year.

John Cassaday: Well, first of all, because they've got a locked in subscriber base, they will make a small contribution right out of the box. And both of these networks when we acquired them had distribution bases around 800,000 subs. They'll both be in excess of 2 million.

W Movies is clearly a property that will generate ratings quickly because of the movies that we offer. So I think we'll generate ad revenue relatively - in a relatively straightforward way there.

Sundance is more of a perhaps a sponsorship sell than an ad sell and will probably pace towards the goals that we have for that a little slower than W Movies. But these will not be bleeders at all on the back half. In fact, they should be very close to break even in the back half of the year.

Scott Cuthbertson: (That’s tough). And just looking at your pay television business, good job there. I mean your subs are up a nice 5%. That’s better than your major - better than nationals at 2%. You did mention that Shaw was doing some stuff and I think you intimated that that looks to be sustainable. Just wanted to confirm that, you know, that’s a reasonable run rate. Seems pretty robust. Do you see that continuing the second half of the year?

John Cassaday: Well, we really have two strong wins helping us here. One is the fabulous job that Shaw in particular is doing on the digital transition. That is a big contributor to our success. Secondly, the programming coming out of Showtime and HBO is just spectacular.

Paul can give you some insight into the new programming that’s coming in the spring. But we just have so many promotables and I think that that combined with the move to the subscription video on demand model that we have now in all of our Western markets makes this a very, very compelling property for us and for our viewers and for our distribution partners.

So we are still convinced that we can get to a million subs this year and sustain this 5% growth rate through the back half. Paul, do you want to make a few additional comments perhaps about the momentum?

Paul Robertson: Sure John. Yeah. I think the - what’s going to help us in the third quarter and in the fourth quarter is The Pacific. A really major, major push behind the 10-hour Tom Hanks miniseries. So that’s on the air now. And from everything we can tell, it’s doing really, really well as a sub builder.

And then pass - as John says, we need - you've got all the major big names coming back in the fourth quarter, True Blood, Hung and Entourage. And then new programming. There’s a miniseries, Pillars of the Earth, that we'll see in the fourth quarter; return to Dexter first quarter of next year.

So I mean I think that what’s happening now on this business is that there’s just a constant barrage of programming. So it doesn't provide any downtime for somebody to want to consider switching off. And that’s really the key is to get that churn rate down so that we’re constantly adding new subscribers and they’re sticking to the (rigs).

Scott Cuthbertson: Great. Thanks. I wonder, you know, thanks for the package and the color and the call. I think it’s very helpful. But I just wondered if we could slice it a slightly different way and get some color on just kind of national versus local advertising trends.

I think we've seen so far from other guys that, you know, national kind of ticked up first and local’s been a little bit slower. I just wonder if you could provide some color from that point of view.

John Cassaday: Okay. You know, there was something - I'm going to answer your question in a little bit different way because probably the best place that - I think radio is probably the most indicative of the ad recovery. I view radio as being sort of the proxy because it really reflects what is going on up and down Main Street.

So Scott if I could answer your question in a little bit different way, let me give you just some sense of some of the category growth that we saw in the second quarter. And as I've indicated to you that, you know, we're seeing even stronger growth in Q3. But retail - and these are Corus numbers. Okay.

And to just give you some sense of the depth and breadth of this recovery, retail up 9.4%; automotive up 20.9%; professional services up 8.7%; entertainment up 2.5%, restaurants up 8.7%; general services, whatever the heck that is, up 8.1%.

So these are - you know, that's sort of the big chunks of business that we do. Those are the top six categories and those are the growth rates for them. So again, you know, our view is is that there's a breadth and depth to this recovery that gives us some comfort that it's sustainable.

Scott Cuthbertson: And in turn - did you see national come back first and then local or was it pretty much the same?

John Cassaday: I'd say we saw local start to come back first and then nationals really started to kick in in the last couple of weeks where Patrick Grierson who's the President of CBS, the rep shop that represents Rogers and Corus and a few of the other larger independents is now reporting significant demand. And we're starting to see (avails) issues in some markets.

Scott Cuthbertson: Great. Lat point. I just wonder, I mean, you know, obviously the content of Bakugan, Backyardigans, et cetera, first one question. Just is there a new initiative in Backyardigans?

And secondly, I just wanted to - it seemed to me I was thinking about this year as kind of a little bit of a handoff from Bakugan into maybe a Beyblade and some other properties that you had in the pipeline. Just wondered if you could talk a little bit about the dynamics and what that means for the pacing and from that source of revenue.

John Cassaday: Okay. Well these businesses are difficult to predict because they are hit (through then) businesses. So what we try to do is ensure, and, you know, you alluded to this Scott. We make sure that we have ideas and merchandising opportunities in the pipeline. So are we hopeful that we can get multiple additional years of revenue growth out of Bakugan? Yes we are.

And as we indicated I think in the last call, based on the feedback that we've gotten from Target and Wal-Mart, they see two to three years of additional life and perhaps beyond that. So we’re very optimistic.

We launched a new game through Activision this year that’s been a best seller. We’re launching a MMOG platform for Bakugan in the next few months. The guys at Spin Master are trying to get this into a major feature film. So there’s lots of initiatives to continue the momentum of Bakugan.

Backyardigans is perhaps one of those sustainable core properties like Winnie the Pooh. Who knows? And that could be something that generates revenue for us for quite some time.

With Doug Murphy and the guys from the kid’s group have got coming is Beyblade, the re-launch with the full support of Hasbro behind that. That will go back on YTV and a number of major partners including Cartoon Network in the U.K. So we’re very excited about the prospects of Beyblade.

And then something that has been a long time coming is the re-launch of Babar. That was featured at the international licensing show in Paris just a couple of weeks ago. Extremely well received and our program sales executives are saying that the sale of the Babar property at least throughout Europe is one of the easier sells that they've had in quite some time.

So we've got a - we've got two sustainable properties and a couple of things in the pipeline to give us lots of reason to be optimistic that we can keep that (merch) line solid for several years to come.

Scott Cuthbertson: That’s great. Thanks very much.

Operator: Our next question comes from Bob Bek from CIBC. Please proceed.

Bob Bek: Thanks. Good morning guys. Just hate to beat the dead horse Tom, but on that other expense line, just so I'm clear because I was a bit confused on the answer. So in Q3 we’re going to see some of these additional sort of overlap rent expenses in the other expense line and then in Q4 once you’re into the building, they'll move up to the corporate line. Is that correct?

Tom Peddie: More or less, yes.

Bob Bek: Okay. And in Q3, would we see a similar type of number sort of 3 millionish would that be a fair place to stick the pin?

Tom Peddie: Yes.

Bob Bek: Okay. And just a bigger picture question I have left. I guess John, you know, you've done a great job in keeping cost - you’re getting costs out as we bore through this recession. I know you spent a fair bit of time at the Investor Day in September talking about, you know, finding a way to run leaner once the recovery is back in - is fully back in at some point.

And clearly we're getting to that point if not there already. Your thoughts given the radio now ramping up in your Q3 and TV continuing to improve greatly - your thoughts on the ability to keep costs out and given you're still a growth company once the ad market is back.

John Cassaday: Well, thanks for making the point about still a growth company because what I would not want people to think is that our preoccupation is with costs. We are equally committed to having one foot on the gas and another foot on the brake to control costs at the same time.

So they are - the both loom very large in all of our thinking. So, you know, evidence of that. The purchase of SexTV and Drive-In Classics to repositioning to W Movies and Sundance; we continue to troll for new opportunities in regard to growing our business.

But we also believe that with the move to Corus Key and the investment that we're making in that that there are significant opportunities to increase the productivity of our organization.

And we're spending a lot of time thinking about how we can deliver a more robust product to our customers and make working at Corus a more enjoyable experience because people have, you know, great role definition, lots of accountability and, you know, we will continue to keep a close eye on the cost line while we try to drive the top line through organic and M&A growth.

Bob Bek: Okay. Thanks for that. That's it for me. Thank you.

John Cassaday: Thanks Bob.

Operator: Our next question comes from the line of Ben Mogil from Thomas Weisel Partners. Please proceed.

Ben Mogil: Hi, guys. Good morning and thanks for taking the call. So John, one question. You obviously talked a lot about the new licenses in the Alberta region in particular. Do you have any sort of view that a number of those new licenses that aren't owned by certain large guys like yourselves, you know, potentially, actually fold?

John Cassaday: Well, they never fold Ben, but they always sell. And that’s the one complaint that we have with the commission is that what they believe is an attempt to add diversity to the system only turns to enrich non-committed broadcasters.

And, you know, we've been pushing for expansion of the MLO policy. We believe that organizations like Corus, Rogers, CTV, Astral that are committed to this business should be allowed to control more of the shelf space and that this practice of providing licenses to people that turn around and flip them in five years is not good for anybody.

Ben Mogil: Okay. So but unfortunately, you know, barring anything from the CRDC this, you know, we’re not going to see station reduction. We’re just going to see, you know, Peter move it Paul kind of thing.

John Cassaday: Absolutely. You know, these licenses are valuable and they may not be valuable in the hands of somebody with a standalone station, but if they can be pulled in to a company that has synergies in that market with, you know, production, sales, marketing, et cetera, they become valuable instantly.

So unfortunately that is just a factor that we're dealing with. The good news is that in many of the major markets, spectrum is exhausted and, you know, we won't see this preoccupation with over licensing in markets like Toronto. But we've certainly, you know, been hit hard in Edmonton and Calgary and I think to the extent of the committed long-term broadcasters that have served these communities so well for so long.

Ben Mogil: Okay. And then last question and this may be more down to Tom's alley. Can you provide us the 3Q09 radio breakdown by the three major geographic regions so at least we've got - I'm sure this is for everyone else on the call as well. At least we've got sort of a benchmark in which to go look up against in order to sort of model out going forward?

Tom Peddie: Simple answer. No. You'll get the Q3 breakdown when we issue our Q3 results.

Ben Mogil: Okay. Fair enough. And I think...

John Cassaday: O nine.

Tom Peddie: Yeah. Specifically for '09. You'll get '09 when we issue 2010.

Ben Mogil: Okay. Okay. So just like what you've done in this quarter basically?

Tom Peddie: That's correct.

Ben Mogil: Okay. And I think for the last one on the Television front, I mean, you know, what's your view - I mean, you know, so what's your view from a cable inflation perspective on how much sort of pricing you're going to continue to be able to get on sort of not sort of the services, you know, sort of on to a more discretionary services?

Like what’s your sort of view on cable inflation, which obviously is sort of increasingly an issue with the cable operators given, you know, what all of us are facing on our video bills?

Paul Robertson: Yeah. Ben, it’s Paul here. I mean we have been able to selectively get some additional pricing and it comes in the form of things like providing video on demand packages in YTV and Treehouse or it comes in the form of providing HD versions of Movie Central format.

So, you know, you can work around the edges in this and find a way to get some pricing upside. Overall, trying to take a large well-distributed service and crank up the pricing has been very, very difficult. We haven't had much success in that.

We think we’re well positioned as the market unfolds to the kind of digital transition given the price value of our services. So we think we can continue to negotiate good overall deals that give us some revenue upside on each of the key accounts. And that’s really what we look at it is, you know, how do we continue to show growth overall whether that’s through expansion of the subscriber base or changes in the packaging?

You know, all these help to enhance the revenue, not just the price point per service. So, you know, we think we've got good plans going forward that continue to grow revenue but is unlikely to come from rate increases on some of the larger services.

Ben Mogil: Okay. Great. That’s great. Thanks Paul. Thanks guys.

Operator: Our next question comes from David McFadgen from Cormark Securities. Please proceed.

David McFadgen: Yeah. Hi. A couple of questions. First of all, just a clarification. John, in your commentary you gave rating gains for a bunch of the channels like 45, 25 and 32%, but I wasn't able to write them all down. Could you go over that again what those channels were?

John Cassaday: Okay. It might take me just a second here.

Paul Robertson: I got it.

John Cassaday: Paul’s got it. Go ahead Paul.

Paul Robertson: I got VIVA at plus 25, Cosmo plus 44 and DUSK plus 32.

David McFadgen: Okay. And then the other question just on the radio business. Some of the other analysts asked it indirectly but I'll just ask it more - I guess more directly. For Q3 when you start to see revenue up high single digit, do you think that you can maintain your cost where they are right now or are they going to creep up just because revenue is growing?

John Cassaday: Well, certainly some of our variables will increase; particularly sales commissions and we’re delighted to pay more sales commission. But our fixed costs are an area that we've had under good control and so, you know, basically the beautiful thing about radio is incremental revenue has, you know, there’s a multiplier effect in terms of its impact on EBITDA.

Regrettably we saw it the other way last quarter as you well know. But this year we had a - this quarter we had a little bit of softness in revenue, but still had I think pretty strong earnings performance because largely a significant reduction in our fixed costs.

David McFadgen: So would it be safe to assume that the fixed cost stay where they are. Maybe there's, you know, obviously the variable cost will go up to the sales commission but aside from that that’s kind of the outlook for the cost?

John Cassaday: That’s it.

David McFadgen: Okay. All right. Thank you.

Operator: Our next question comes from Tim Casey from BMO. Please proceed.

John Cassaday: Good morning Tim.

Tim Casey: Hi. Thanks. One on TV and one on radio. On the television side were the contributions from the new channels in the second quarter were they enough to move the dial? Like did that really accelerate your growth rates?

John Cassaday: No. They are modestly contributing to them. But, you know, the big items here are pay business and the substantial contribution not made to our subscriber growth and then just the extraordinary performance of YTV and Teletoon were the big contributors to our growth rate on the revenue side.

Tim Casey: Right. In your release you put in a line that you’re going to continue to invest in the new channels. Should we imply from that there’s a bit of margin derived from those investments or once again is it too small to move the dial?

Paul Robertson: It’s Paul here. No, they’re both - the new ones are net contributors to EBITDA. And they came with some revenues associated with and we've been able to build on their distribution. So, you know, we never had a vision that they would go into investment mode.

Tim Casey: Got you. Okay. And switching over to the radio side. John, you made a point of talking about how 640 is a winner on PPM. But when you own 50 stations, you know, you had talked about earlier that, you know, PPM was more like going from imperial to metric. When you own 50, is it not fair to say that it’s going to be a bit of a wash? That you’re going to have winners and losers in PPM. You know, how do we - how do we look at that?

John Cassaday: Well, I think that’s a fair statement that there, you know, there are winners and losers. The key is to try to get more in the winning category than losing category and continue to move your revenues up and get more than your fair shares.

So, you know, the key thing for us on 640 was just that we needed to get that turned around and into profits. And, you know, on some of the smaller brands they don't attract national dollars so you’re just fishing in the local pond and that represents granted 75% of the total revenue potential for radio. But we needed to outrank say CFRB to be able to begin to pick up the dollars needed to make that profitable. So it was an important step for us.

And again, you know, one of the things that we've talked about historically is you've got essentially five markets and about ten stations that represent about 90% of our earnings here.

So if you really want to cut to the chase the things that really, really matter in terms of the performance of our radio company going forward, Toronto, Edmonton, Calgary, Vancouver, by and large, you know, that's it and so, looking at the ratings performance there is the key to understanding what the likelihood of us being able to continue to put numbers on the board, you know, is going to amount to.

Tim Casey: And are you calling yourself a net winner in those four key markets?

John Cassaday: Yes.

Tim Casey: On PPM?

John Cassaday: Yes.

Tim Casey: Okay. And lastly, the commission seems preoccupied with television and I guess foreign ownership to some degree. Is it fair to say that any hope of deregulation on radio is still a few years out?

John Cassaday: Well, I think it's at least two years out. Unfortunately, we had hoped based on some discussions we had at a hearing in Quebec City a little over year ago that we are going to get some attention put on radio this year. But as you point out, and its quite understandable, the commission has been quite preoccupied with the issues in television specifically around local TV. So radio has been put on a back burner.

And quite frankly, I don't think everyone in our space is committed to change as we are. In our discussions with our colleagues and competitors, a lot of them like the status quo and, you know, we are perhaps the one voice in the choir looking for major change in the MLO policy right now.

That could change over time, but we’re pretty much leading the charge on that one and hopefully, we can, you know, make some inroads there because we see that as the key to us being able to grow a business that’s important to us.

Tim Casey: Right. Thanks for that John.

Operator: Ladies and gentlemen as a reminder, to register a question, please press the 1 4 on your telephone.

Our next question comes from the line of Randal Rudniski from Credit Suisse. Please proceed.

Randal Rudniski: Thanks and good morning. I think I have...

John Cassaday: Good morning.

Randal Rudniski: ...good morning - three questions. The first one is sort of similar to Tim's, but I was hoping we could focus a little bit on the Toronto market. And you did raise AM640 as a specific example. You know, it’s in a loss position PPM leading to a high ratings and rank. And we've established that PPM is having an immediate impact. Does it then follow AM640 should be, you know, go to that transition to breakeven and profitability later in 2010?

John Cassaday: I think we will see in 2011 profitability on 640. We may be close to breakeven this year; certainly, we will more than have the loss from last year this year.

Randal Rudniski: Okay. And then...

((Crosstalk))

John Cassaday: ...Stanley Cup finals that station would be quite popular.

Randal Rudniski: That's for sure.

((Crosstalk))

Randal Rudniski: And then second of all, can you comment on how Q107 and Vinyl have done?

John Cassaday: Q107 is doing fine. It still dominates men 25 to 54. We were down one ranking in the latest book on adults 25 to 54 because of the success of Boom a new sort of rock station that was launched; replaced Easy Rock in Toronto, but Q is still very, very strong, you know, must buy station.

Vinyl, we don't have any numbers from Hamilton, which is its home market because that's not a PPM market. It's a BBM market. But in terms of PPMs, the numbers were up nicely on Vinyl and our rankings were up. But it's not transformational at this point in time.

So Vinyl is still are work-in progress. So I guess the summary statement is better than we were performing in the country format and potential whereas we just felt the country format in Toronto had limited upside.

Randal Rudniski: Okay. Thanks. And then lastly, pertaining to Quebec radio. You indicated total revenues were down 2%, airtime revenues up to three; what is the delta between those two numbers?

John Cassaday: Change in our contra policy and really a diminution in our interest in attracting contra. We really are focused on cash revenue and that's where the change is. A little bit - a little bit Web but mostly I'd say 80% of it is a reduction in contra advertising.

Randal Rudniski: That's perfect. Thank you.

Operator: Our next question comes from the line of Sanford Lee from Genuity. Please proceed.

Sanford Lee: Hi. Good morning. Thanks. Just a quick question on I guess on the regulatory front. Just your thoughts on for carriers and timing (attention) and when the Federal Government might come back with a decision given (CRT power) potentially to implement.

John Cassaday: Talking about the value for service?

Sanford Lee: Yeah. Sorry. Value for service.

John Cassaday: I think we're looking at at least a year.

Sanford Lee: Okay. At least a year. And then also I guess recently in the news foreign ownership of Canadian broadcasting (unintelligible) recommending potentially I guess increasing to 49% from - or 49 yeah from 47%. Any general comments about your views on foreign ownership?

John Cassaday: Well I think we saw in the speech from the throne that there's generally a sentiment amongst the Federal Government to be more open minded about foreign ownership. There is a white paper coming to that effect and we'll see.

I think a lot depends on what kind of government we have after the next election and, you know, if it's a very small minority government, I think you'll see minimal action on this file. If there's a majority government, we may see more dramatic action I think particularly as it relates to the pipes, i.e., telecom sector.

As it relates to the programming sector, I think there’s going to continue to be a strong call for sovereignty and I see that movement happening at a more gradual pace than some of the other sectors within telecommunications.

Sanford Lee: Great. Thanks. Can I ask one more last one? With TELUS TV making a big push in Western Canada and the broadband TV as well as satellite and now with the resale deal with Bell. Can you tell us if you’re seeing any maybe potentially up tic in your subscriber growth related to specifically to TELUS or Shaw? And then at the same point having increased competition from TELUS, is that improving your pricing as far as programming?

John Cassaday: Well, first of all, we are pretty agnostic as it relates to where our business comes from. We try to serve all of our BDU partners equally well. Any information that we have about their success with us or others, we keep confidential.

So I can't comment specifically on what we’re seeing within TELUS. I can tell you that our subscriber revenue was up 14% this quarter. That was a function of growth amongst all sectors of the BDU population, satellite, telephony and cable operators that are offering video services. So I'll leave it at that.

Sanford Lee: Great. Okay. Thank you.

Operator: Mr. Cassaday, there are no further questions at this time. Please continue with your presentation or closing remarks.

John Cassaday: Okay. Well thank you everyone. Seems that there are no more questions, so once again thanks for your positive comments on our results in Q2 and for your continued interest in Corus. And we'll look forward to talking with you probably in the hours to come and certainly in the days and weeks to come. Bye for now. Have a good day.

Operator: Ladies and gentleman that concludes the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Have a great day everybody.

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