CORUS ENTERTAINMENT

Moderator: John Cassaday
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7:30 a.m. CT

Operator: Good day and welcome to Corus Entertainment's Q3 analyst and investor conference call. Today's conference is being recorded.

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

John Cassaday: Thank you, operator. Good morning everyone. It's John Cassaday. Welcome to Corus Entertainment's third quarter report and analyst conference call. Thank you for joining us today. We'll take a moment to run through the standard cautionary statement before we begin.

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

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

Before we review our results, we would like to advise everyone that we have once again put a series of PowerPoint slides on the Web that accompany this call. The link to the slides can be found on the Investor Information page of our Web site, CorusEnt.com

So to begin, we had an excellent quarter and we are pleased to have this opportunity to discuss our results. As slide three and four show, revenues were up five percent and segment profit was up 11 percent versus year ago. Our net income for the quarter was $37.7 million versus $29.6 million last year, with an earnings per share of 45 cents basic versus 35 cents basic a year ago.

We would like to spend the next few minutes providing you with some additional context to these results. Starting with television on slide five, our revenues on television were up five percent and our segment profit was up nicely at eight percent. Our margins for the quarter also improved from 42.2 percent last year to 43.3 percent this year. Specialty advertising was up two percent this quarter led by double-digit growth on the W Network.

Subscriber revenue also grew by two percent. In terms of subscriber numbers, Movie Central grew in the quarter, surpassing the 890,000 sub mark. And lastly, we had an increase in other revenue in the quarter based largely on double-digit growth from our Web site sales driven by our updated Treehouse.com. As implied, our adult-targeted networks did very well – extremely well.

Our kids business was soft in the quarter. There were three reasons which we highlighted in our report to shareholders. One was the fact that the Easter selling season came into Q2, and this, of course, affected the toy category to a degree in Q2.

Secondly, the entertainment category was less robust in this quarter, and I know some of you were looking for some specifics on that. And specifically, there were seven theatrical and 10 DVD releases this quarter compared to 11 theatrical and 16 DVD releases in the same quarter year ago, so that was the second contributing factor to our somewhat softer kid revenues.

And then third was the loss of a key property on Teletoon which we referred to which is having a continuing negative effect on our year-over-year comps and, of course, that'll get sorted out going into the next fiscal year.

The other thing that I think is important to mention is that the specialty ad category continues to be quite robust. According to (TBB), specialty ad growth for the first eight months, that is to the end of April of this year, was 7.6 percent. Still in our mind very, very impressive growth in that category and something that we expect will continue.

Looking forward on the ad sales side, we are seeing strong bookings versus year ago with mid-to-single-digit growth overall. We are in the midst of our negotiations with all of our major agencies regarding our upfront commitments for fiscal '09, and we can announce that we expect to renew all of our major partnerships with volume at least at year-ago levels.

So, the important message here is that we are continuing to see a high level of confidence in our networks and a high level of confidence on the part of our agencies that their ad volume and business with us will remain at least at the levels that we've been at historically, and that is despite the obvious doom and gloom that we hear and read about each day about the economy. So at least as it relates to Corus and the markets that we participate in, we are continuing to see substantial evidence that our optimism is well founded.

We're also receiving an encouraging response to our new services. Teletoon Retro has been widely distributed and is doing extremely well in the ratings. Cosmopolitan Television is off to a good start, largely in Western Canada. We're still sorting things out here in Ontario. And we are excited about the possibility of launching and rebranding (CLT). We are waiting for approval from the CRTC, which we believe is imminent.

On the pay side, just to repeat once again, we're pleased to see continued growth in Q3. Our increased marketing efforts to reduce churn and sign up high definition customers ended in May, and we believe this will provide us additional growth in Q4. And beyond Q4, the fall is looking exciting with the return of all the big guns to our schedules, specifically "Entourage" Season Five, "Californication" Season Two, and "Dexter" Season Three. So while the pay numbers are somewhat less than what we had anticipated, I think we have to realistically assess the impact of the writers' strike and the lack of significant news to our schedules. So, I think in retrospect, we shouldn't be too disappointed but rather optimistic about the impact of these new shows coming back into our schedule for next year.

On the radio business if we turn to slide six, our revenues were up three percent with relatively flat segment profit. Our results in the west continue to be exceptionally strong, led by double-digit growth in London and (Kichner). We continue to have great growth in Edmonton, Calgary, and Vancouver, and that looks like it's continuing into Q4 and into the first quarter of next year.

We were pleased overall with our results in Ontario. I mentioned London and (Kichner) in particular performing well, but generally throughout Ontario, we had a very strong quarter although we did experience some softness in the Toronto market.

In Quebec, this market remains challenging for us right now, but we continue to execute on our Quebec turnaround and we continue to be very positive about our prospects for the future. (CHMP), which is our recently reformatted news/talk station in Montreal is doing very well and showing solid growth, as is (CFOM), our FM in Quebec City. The reformat to sports talk of

(CKAC) in Montreal is showing very positive results this quarter with double-digit growth versus year ago, so that's extremely promising for us.

We also have recently announced the sale of our (CHRC-AM) station in Quebec City. And this was approved conditionally by the CRTC and we remain confident that this will close quickly and that will relieve us of a money-losing operation in Quebec City and we look forward to next year with a slate of hopefully two strong FM's in the Quebec City marketplace.

Our (CGRC) signal expansion was approved in Gatineau and this will allow us to cover the entire Ottawa and Gatineau region going forward and, again, offers I think good promise for us there. And as you may recall from previous conversations, we have also applied for an English news/talk in the Ottawa region and we are hopeful of getting a favorable outcome on that one from the CRTC, as well.

Also in the quarter or recently, rather, subsequent to the quarter, we reformatted and restructured our 940-AM Montreal station. That was an English news/talk. We downsized this station's headcount and we switched it from the news/talk format to a greatest hits format which will improve the profitability of that operation going forward.

So, Quebec continues to be the major challenge for us in our radio division in large part due to market conditions, but we remain confident that we will get this business on track and demonstrate marked improvement in our fiscal '09 results.

On slide seven, you can see that our content business experienced its sixteenth consecutive quarter of profit with revenues up 12 percent and profit well above year-ago. We concluded a significant music rights deal, we had some high-margin library sales, and our merchandising sales led by our B's – "Backyardigans," (Bacugon), and "Babar" all contributed to a great quarter within Nelvana Enterprises. Internationally, our kids co-venture also continues to grow impressively with an increase to five million households versus roughly four million just a quarter ago.

So before we turn it over to your questions, we wanted to address the issue of part two fees. As you know, last year these fees were ruled an illegal tax. As a result in Q4 of last year, we reversed our accrual for fiscal 2007 and in Q1 and Q2 of this year, we had not been accruing for these fees. As slide eight summarizes, on April 28 of this year the Federal Court of Appeal reversed last year's decision and ruled that part two fees are a valid regulatory charge.

The Canadian Association of Broadcasters, of which we are a prominent member, has filed an application for leave to appeal to the Supreme Court of Canada, and until this issue is resolved, which we continue to hope will be resolved in our favor, Corus will accrue for these disputed regulatory fees. As a result, we booked a 9.7 million accrual in this quarter; 4.9 million of this accrual was for the full fiscal year 2007. The remaining 4.8 million was for the first nine months of this fiscal year. For both 2007 and 2008, the accrual for these disputed fees will be excluded from segment profit.

So, we hope that these comments have provided some clarity on this issue of part two fees, and we'd now like to turn it over to you for any questions that you might have. Operator?

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

Your first question comes from Carl Bayard, Genuity Capital Markets. Please go ahead.

John Cassaday: Morning, Carl.

Carl Bayard: Thanks, good morning. Just a couple questions. I mean obviously you guys have done a great job cost-cutting, but going forward, can you – can you share with us where you you know you still see opportunities to cost-cut a little – to cut costs a little further?

And second question – on pay TV, any update on how you can get distributors to start upselling pay TV a little better? Thanks.

John Cassaday: Two good questions. First of all, we're always looking at the ((inaudible)) from the standpoint of how we can ((inaudible)) (sufficiently). We have an initiative underway right now in our television group where we're looking at activities that we are involved in on a day-to-day basis. All of them are important; otherwise we wouldn't be doing them. But some are less important than others. And we want to make sure that we just don't continue to put pressure on our people as we look for ways of operating more efficiently. So, we would like to try to eliminate some activities and streamline our processes. So, that's one example.

I think the other area in our radio group is just continuing to look at the stations on a station-by-station or profit-center-by-profit-center basis. We're doing a lot of benchmarking and best practice work to make sure that we have good alignment across the network of stations that we have to make sure that they're all operating as efficiently as possible.

What we have said to our board is that good cost control is a – is a part of our culture, it's an ongoing part of our business, and we will – we will and do believe that we continue to have opportunities to manage our costs. We have to do that because we've got to continue to invest in our business. This year, we made a number of investments.

For example, to accelerate the sales of our Web platform in radio, we invested in a major sales platform that was developed by our colleagues at (Emis) in the United States. That was a significant investment.

We're investing in a new traffic system in radio right now, (Wide Orbit). We continue to invest aggressively in programming to accelerate our ratings at (WYTV, CMT), and the movie business. So, I just wouldn't want to give you the impression that this is all about cutting costs. What we're trying to do, we call it weed and feed, and that's you know weed out costs where we can and feed investment into the business where we think we can accelerate our growth. And we see ourselves in a very, very favorable rating position right now with well-trained and motivated staff and we think we can take advantage of the opportunities that present themselves to us going forward.

On the Pay TV side, we think that you know as a result of a number of conversations that we've had with our largest partner, which is clearly Shaw, who operates both the Shaw Cable and the Star Choice business for us in western Canada, and we – our franchise is, of course, in western Canada, that there is a recognition on both parties' parts that you know the icing on the cake as they successfully roll out their digital households is to penetrate pay TV subscribers to a higher level. And I can simply say that we are committed to put in place the incentives and the marketing support to help them accelerate the penetration levels of pay within their digital universe. And they are committed to getting this back into being a dynamic growth business for them, as well.

And I think you know we're fortunate that so much of our business in this particular case is concentrated with one customer who happens to be extremely committed to a digital rollout and committed to working with us to make sure that the pay TV business achieves its full potential.

Carl Bayard: That's great. Maybe just one follow-up on the radio side. Is there any chance that you could maybe sell some AM stations in Quebec that you, for whatever reason, you won't be able to flip to FM?

John Cassaday: It's – we are doing a major strategic assessment in Quebec right now and it would be premature to indicate that you know we will exit certain markets. But I can tell you that our assessment based entirely on determining whether or not we think we can win going forward and if the results of that win are going be worth the trip. And if we conclude that they aren't, then we would sell off stations that we do not think fit strategically for us going forward.

Carl Bayard: OK, how about bargaining agreements with unions in radio? Is the picture better or worse or the same as, say you know six months ago – one year ago?

John Cassaday: I think the situation is much better right now. I think the environment at (TQS) has sent a warning shot to the unions in Quebec that it can't be business as usual, that these businesses have to operate profitably. And we are in the midst of discussions right now with our unions in Montreal and we feel confident that there is a realization that we need to work cooperatively to make sure that the Corus properties in Quebec operate on a profitable basis and a sustainable basis. So, I think the environment is quite conducive to us working well together.

Carl Bayard: That's terrific. Thank you.

Operator: Thank you. Your next question comes from Bob Bek, CIBC World Markets. Please go ahead.

Bob Bek: Good morning. Thanks. Just further on your comments there, John, on the Movie Central and the pay TV sell-through, I think you spoke last quarter about being a bit more aggressive as far as you know targeting some of the sell-through on the – on the digital side from Shaw. I guess given that the series are coming back in the fall, I mean would you have been reasonably aggressive in Q3 or is really that going to be kind of a Q4 event to kind of sell into perhaps kind of ratcheting up the campaign there?

John Cassaday: Well, we had a campaign that ended in May. I'll let Paul just describe it to give you some color on that, Bob, and hopefully that'll satisfy you on this point.

Paul Robertson: Yes, it's Paul here. The – we have a real focus against two things – really reducing the churn on the pay side, which is always part of the business, and of course, then, bringing new subscribers into the market. The effort – marketing efforts were really focused through a period that ended in kind of May and June. So, we had a mall tour going on at that point, we had subscriber rebates in the store so that the call centers could work (with the) customers on those. We targeted HD subscribers that didn't have Movie Central, so we were able to get specific lists that would tell us who those folks are so we could target them with direct mail. So, it was a pretty comprehensive program and it's probably the first effort that was really highly targeted to key prospects.

In the – in the response, Shaw had a wonderful quarter for digital growth, building about 36,000 subs between Shaw and Star Choice. And we saw a really good lift in the Shaw/Star Choice business. There were some of the other – on the other customers' side was a little softer, but we could see the results of our efforts there. So, we're encouraged that with the specific targeting and the ability to go straight in on the highest prospects that we can continue to grow the business. Because of the timing of this effort, it should spill over into the fourth quarter and provide some stability there.

Bob Bek: OK, that's helpful. Thank you. Just moving to radio, I guess for John Hayes, can you give us a bit of an update on the – on the Toronto situation? I know some of the weakness was ratings-driven, so that takes some time to work through. But if you could just give us an update on what the outlook for Corus in Toronto is, please?

John Hayes: OK, thanks. The Toronto outlook is getting better. We've had a bit of a ((inaudible)) some ratings issues primarily at the edge, number one, and secondly, the advertising shift towards greater ask by advertisers for female demos which, as you know with our (wall of men) strategy in Toronto is not exactly our strength. In addition to that, we had a couple of self-inflicted wounds regarding Sales Department and sales practices which we have addressed.

We've made some management changes in the Sales Department, we've parachuted our Director of Sales – Vice President of Sales into the position of Director of Sales at the Toronto location now where we're in the process of reorganization and segmenting our efforts – our work efforts aimed at transactional and retail and new business and we will be announcing some changes shortly in the Sales Department.

So, in general, we think that we're past the rough patch. However you know if you look at the – at the Q3 performance as it relates to (trem), the market was up by one-and-a-half percent and we were – we were under our performance last year in terms of revenue. And being that Toronto is the largest market in the – in the country for radio revenue, that kind of puts a drag on our division performance as a whole. But to sum up, we know what the issues are, we've addressed them, it's been a great run in Toronto for the last six years and I think that we just had to make a transition to a new way of thinking about how we sell.

Bob Bek: OK, thanks. And just on the overall radio market, I know it's a bit of a crapshoot, but do you still think four percent for the overall market for the year is reachable or is the – is the pace in the east kind of holding back some of that?

John Hayes: Well, the pace in Quebec certainly is holding that back for the year, but the west continues to be strong and Ontario seems to be pretty good. I'm just hesitant to say yes because, although Q1 and Q2 were pretty strong, things started to slow down a bit in Q3. And the business is spotty. It's week-to-week, and tough to predict. I would think that it won't be too far short of four percent for the industry for the year if it falls short.

Bob Bek: That's very helpful. Thank you. And just lastly for – I guess for Tom, could you just remind us if there – are there future tax recoveries to deal with in Q4 or are we done with those adjustments?

Thomas Peddie: I think, Bob, we're pretty well done with them. We initiated a tax planning strategy a few years ago and we were able to recognize the benefits in this quarter. So, I think that if you're doing your modeling for Q4, you can go back to using a 35 percent rate.

Bob Bek: Thanks very much.

Male: Thanks, Bob.

Operator: Thank you. Your next question comes from Scott Cuthbertson, TD Newcrest. Please go ahead.

John Cassaday: Morning, Scott.

Scott Cuthbertson: Yes, good morning, John. Thanks. Just wondered – your comment on the upfronts you know you said that you were encouraged by the fact that the volume demand remains you know at least similar to last year. I just wondered you know implications for revenue, what's the pricing outlook and what does that mean in general in your mind with respect to the overall revenue outlook for specialty television advertising demand?

John Cassaday: Well, I think we're certainly getting more sophisticated at the whole area of – the science, if you will, of yield management. Our customers are, as well. And our view going into this year is that you know what we would like to do is go in with a relatively stable upfront and then take our chances on the spot market going forward. So, I think that pricing environment this year was modest.

We did see some price inflation, but I would say you'd characterize that as less than – or in around three percent. But our feeling is that the fact that a large block of customers are willing to lock in firm commitments, this is one of the beauties of TV is these you know John talks frequently about the lumpiness and unpredictability of radio being so locally focused, one of the beauties of TV is the fact that we have a relatively tight list of major customers who are able and willing to commit to longer-term deals it gives us a stability there that is comforting and that allows us to win or lose on the spot market based on our success in programming and getting the ratings growth that we know drives results for our advertisers.

Scott Cuthbertson: OK. All right. So turning to radio, just you know there's a – the difference between local and national trends continues to be fairly wide. I just wondered if you provide any comments on that. Are we – are we seeing you know radio taking share from other media and that explaining the national growth you know remaining pretty robust and what's – what are the primary you know drivers on the local side?

John Cassaday: Well, radio continues to be an intensely local medium, and I think if I were to attempt a broad brush answer to that question, Scott, it would be misleading because what we're feeling is that major advertisers who are nationally focused continue to be very confident in the ability of radio to reach and influence audiences as to their products.

But on the local side, I'd have to break that answer down into a market-by-market discussion of what's going on with numbers of stations, what's going on in the local television market, what's going on with the local print market, and it really is a variable on a market-to-market basis.

Scott Cuthbertson: Maybe you could just touch on Toronto – Vancouver then and talk about the local situation there?

John Cassaday: OK. We think that Vancouver's holding up pretty well – modest increases and decent growth in Q3 as a market. Toronto, a little bit more challenged and hard to get –hard to get our arms around exactly why late business that hasn't come in and a sense that you know Ontario might be slowing down a little bit due to the manufacturing sector. And that's about as much as I can intelligently comment on.

Scott Cuthbertson: Sure. And then just to probe one step further on this if I can, John, just automotive, what are you seeing in terms of demand there? Any data points that we may find helpful?

John Cassaday: Not too bad. Automotive last year year-to-date was 12 percent of revenue for radio. This year it's 11 percent. And in fact in Q3, it held up equally to last year for us and so you know not a lot to comment on – again, spotty. I mean you know Winnipeg seems to be off in automotive, domestic seems to be down a little bit but imports are up, and then when you throw Quebec into the mix you know everything's kind of off in Quebec. So again, a market-by-market situation.

Scott Cuthbertson: OK, my last question would just be on the – on the writers' strike and on the overall impact that's – that it's having on your business. I know it's really you know having an impact on the conventional television business, but I mean there's some schools of thought that say that you know if there's a relative dearth of new shows you know this fall that might help pay (your specialty). Can you comment on that?

John Cassaday: Well, we're hoping that the just the juice that we get from announcing the return of these high-profile shows – as we mentioned, "Entourage," "Californication," "Dexter," – gives us benefits to talk to our subscribers about and keeps them in the loop and gives us incentive to bring new people onto you know onto the network. So, we think that these shows coming back has got to be a positive for us and, as I said in my opening comments, we're optimistic about the impact of these new shows, our programs with our important customer Shaw, and the appetite that we think we both share to really make sure that we at least hold the historical levels of penetration as they bring new digital subscribers on board going forward.

Scott Cuthbertson: Did you see any viewership trends at all that were interesting through that – the whole period that would indicate that people were you know getting frustrated with conventional and setting up for pay more or watching more of your specialty channels?

John Cassaday: Not really. We get periodic viewership data on pay, but we're not getting overnights like the networks do. So, I really couldn't give you an honest comment there. It's just – it's just anecdotal and you know we see – we see the numbers there's clearly still a shift from conventional to pay and we expect that that will continue not just because of the writers' strike, but just because of the specialization niche orientation of the specialty and pay business.

Scott Cuthbertson: Great. Thanks very much.

Operator: Thank you. Your next question comes from Ben Mogil, Thomas Weisel Partners. Please go ahead.

Ben Mogil: Hi, guys. Good morning.

John Cassaday: Good morning, Ben.

Ben Mogil: So, a couple questions. First of all on the – on Cosmo and getting better carriage on Cosmo. You know is this a view sort of that if you could show better growth or sort of good subscriber growth at Shaw, the (Rogers and Kojiko) will come aboard? Or is there sort of something systematic that's (leading) them not to want to pick up the channel?

John Cassaday: I think it's just you know a lot of channel pressure on them right now, a lot of important decisions. Make no mistake about it, they want Cosmopolitan television and have offered us you know a reasonably good level of penetration. We have taken the view that this is not like you know a new pet channel, that this is an important brand that's being launched. It's being supported with outstanding programming. It has a great brand and good parentage and both Hearst and Corus are absolutely 100 percent committed to making sure that this is a brand that's going to have showcase type numbers.

So, what we continue to do is just negotiate for a position that we think is justified, given the level of commitment that we have to the brand, and that is what's taking so long. But our belief is that you know like most things in life, not settling is the right strategy. And you know we could have been on, on February 14 like we were with our customers in other parts of the country, but we have just not been willing to settle on this one and we think ultimately we'll work something out with them. They are a great and supportive customer of ours. We're a good partner of theirs. And we'll get a breakthrough here, but you know our hope and expectation is that this channel, when it's fully served by all the distribution partners in the country, will be in the five-million-plus range and that will give us a great base to sell advertising and a great opportunity to serve that young female demo which is of value to them as much as it is to our advertising partners and us.

Ben Mogil: Sure. OK, thanks. Secondly you know the comments you guys made about the – about the theatrical releases and the DVD release being down in terms of the number of releases from last year you know if I look at what played in the second quarter on the calendar year in the ((inaudible)) box office, there were a lot of strong children's titles – "Iron Man," 'Hulk," "Indiana Jones," "Narnia," "Kung Fu Panda."

And more importantly when I speak, because I cover some film distributors as well, when I speak to these guys, they're telling me increasingly that they're moving money – their advertising spend away from traditional media, newspapers being the first casualty, but they are increasingly sort of putting more stuff online and more stuff on nontraditional media and taking stuff out of traditional media – newspapers, but TV to a lesser degree. Are you seeing that? Like, is this not just a function of you know the number of releases in a quarter? Is there not some secular trends going on here?

John Cassaday: Well, I think there are secular trends going on not just in entertainment. I think everyone is being more experimental now, if you will, and is looking at opportunities to experiment with viral mediums and all forms of Webs and different Web sites. But you know I think the reality of it is that you're right, there were a significant number of kids/family features in DVDs released in the quarter, but the specific data that we provided indicated that there were, in the case of DVDs, about six less titles launched in the – in the quarter, and in the case of theatricals, four less.

So you know if you just do on a linear basis the impact of those four titles and six DVD titles, I think you end up with an entertainment number which is below a year ago, and that's exactly what happened to us. So, I still believe that to launch successfully a new kid title, you need to buy through us, and we're convinced that given the success of some of these kid and family titles, that this is going to be an exciting growth area for us in the future even if they decide to put some of their funds onto other sites like FaceBook and other opportunities they have to reach younger audiences.

Ben Mogil: I mean on that note, I know that (Cineplex) has been very vocal about going to the U.S. studios and getting them to spend more than they've traditionally spent in the Canadian market. And just from some of our (channel checks) you know we're seeing a significant hiring ramp-up in terms of the U.S. studios appear on the marketing and promotional side, are you having – are you seeing the studios when you speak to them as advertisers, being equally as sort of adamant about you know spending more in this country?

John Cassaday: Well you know maybe just ask Paul to talk about some of the things that we did to specifically target this segment because I think there was some really good innovative things that we did from a sales structure point of view to tap into this trend that you're talking about. Paul?

Paul Robertson: Sure, thanks, John. We took an effort about six months ago to meet with every one of the major studios and talk to them about their programs and priorities. So, we got a lot closer to them over the time and have been looking – to your point, Ben, about trying to extend beyond the television side, I mean we're executing now across the Web and our various other platform at the same time as we're executing in television, so we're able to broaden out the offering that we have for them because we've got a little more advance on the relationship and the release schedule.

I think what happened at some point in time as the dollars kind of came closer to par is that initially some of the U.S. studios were spending less in Canadian dollars per release. And of course they kind of caught up to that and recognized they needed to in Canadian dollars retrench their spending and come out stronger that they've been able to sort of increase those budgets per release.

Ben Mogil: OK, that sounds – that sounds great. Thank you. And then I think lastly probably more of a Tom question. Tom, the guidance that you guys gave back in the fall, I'm presuming that still holds?

Thomas Peddie: That's correct.

Ben Mogil: OK, great. Well, thank you very much guys and we'll speak to you soon.

John Cassaday: Just one quick follow-up, Ben, is …

Ben Mogil: Oh, sure.

John Cassaday: … part of the focus in on the major studios, we have a group that focuses just on the studios. So, instead of it kind of being blended within each bag of the – of the individual sales executives, there's a specialty area that we've created to go after this market. So, I think our knowledge of their business is increasing, our relationships are getting better, I think they're – to your point of recognizing the need to spend the right amount in Canadian dollars, and I think that this will be a robust category for us going forward.

Ben Mogil: OK, great. Thanks, guys.

John Cassaday: Thank you.

Operator: Thank you. Your next question comes from Tim Casey …

John Cassaday: Morning, Tim.

Operator: … BMO. Please go ahead.

Tim Casey: Thanks. John, I'm just wondering if you could give a little more color on your comments regarding the outlook. You've expressed confidence in your properties, but you know I'm getting the sense that you're – or should we have the sense that the outlook is for stability rather than growth? I mean judging by your comments, there was a little bit of price inflation on the upfront market, but it doesn't sound like there's a lot of growth there. Am I – am I reading too much into what you're saying or is stability really the expectation we should have?

John Cassaday: Our focus is on growth. I mean that is the theme for our company for this year. And I guess what I was trying to suggest in the comments about the upfront market is that I think that to be able to sort of lock in upfront year-ago levels and then rely on the spot market to grow is a compelling strategy for us and for our customers. They hedged somewhat the current economic uncertainty. We have the opportunity to you know sell in at higher rates on the spot business going forward. So, what we have right now is tremendous ratings momentum at W, we have good ratings momentum at CMT, we are convinced that we're getting (YTV) back on track. We've got Teletoon going into next year without the year-over-year comp against "Family Guy," which is an important show that we lost in the past year.

So, I guess what I was trying to suggest is that unlike many people who are predicting dire consequences for ad sales companies like ours. We're just not seeing that. And you know I'm not going to suggest that this is going to be the most buoyant period, but I am going to suggest that we do believe that we have real good growth prospects particularly on a segment basis going forward.

Tim Casey: If I could just follow that up, John talked about a deceleration in radio, looking at it through the first three quarters of '08. Have you seen that in specialty? You've talked about seven percent growth through the first eight months. Has specialty been kind of stable through that period or has it slowed as radio has?

John Cassaday: Well, again you know I think we're dealing with terminology here and when John talked about deceleration, he still said that it's still possible that we'll have four percent growth in radio this year which I think is extremely (growth) for that sector. And when we talk about specialty growing at – I think I quoted a number of 7.6 or 7.8 percent for the first eight months, there aren't many consumer categories in North America that are growing at that rate. So, I think that's a – that's a pretty good rate.

And Tim, one of the things that we've been talking to our shareholders about in our various exchanges with them over the last little while is that the specialty segment now in excess of a billion dollars is one that I think we have to start segmenting to some degree because it is not you know an amorphous mass anymore. There are some very discreet segments within specialty, and one of them, for example, is the female-targeted business. And it you know with specialty growing at plus 7.6, we would expect the female demo-oriented stations to continue to grow in the mid-double-digits. So, sort of in the 12 to 16 percent range, I think, is a realistic target for those.

So, I think that being positioned in the right segment within this specialty space is going to be an important factor for various companies going forward, as well. You know we may see some softness in the – in the male-oriented demos. As John mentioned, we saw that a little bit in Toronto. I think you'll see that spread into the specialty television business going forward. And of course, we're dealing with some societal issues and demographic issues on the kids space, so you know we've started to guide down on kids revenue going forward you know as that being sort of more in the you know three-to-five-percent range as opposed to upper-single-digits as a result of the impact of the concern that food advertisers have about leading with their chin, if you will, on the – against the obesity issues and concerns and the fact that there are less kids going forward. That's just a demographic reality.

Tim Casey: Why is the female demo so strong then?

John Cassaday: Well, I think part of it is the good work that we've been doing demonstrating the influence that women have on buying behavior. You know I only half-jokingly talk about the fact that in my family and growing up as a kid, it was not uncommon for my dad to come home and say, "Hey, come on and look what's in the driveway. Brand new car." Well you know there's nobody stupid enough to do that anymore. You know women have an important input on every – virtually every economic decision that's made in the household, and advertisers are wrecking this – recognizing this. And the focus is shifting largely to these female-oriented campaigns. We're seeing this on radio, we're seeing it on television, and it's just a function of the increasingly strong economic impact that women are having on purchase decisions across virtually every category.

Tim Casey: Thank you.

Operator: Thank you. Your next question comes from Aravinda Galappatthi from Cormark Securities. Please go ahead.

John Cassaday: Good morning.

Aravinda Galappatthi: Morning. Thanks very much. Just a couple of remaining questions. Firstly, on the television programming cost inflation, I think you mentioned earlier on in the year that you expect a sort of flattening out in the latter part of the year. I just wanted to check if you're still looking for that going into Q4. And also if you can talk a little bit more on whether you have any better visibility on how programming costs would trend going into 2009?

Paul Robertson: Sure, I'd be happy to. It's Paul here. We did – during Q3, first of all, we did see that lower growth against a year ago comps on program amort. And in fact, it was about six percent year-ago. The reported number is a little bit higher which includes some other service expenses and that kind of thing, but the pure programming was up six. That's the sort of level that we'd expect going out the year at, so it's kind of less than we saw in the front half.

As we look to next year, I think realistically we're still thinking that programming is going to be you know, it's going to increase more than our revenues and we think kind of mid-to-high-single digits. We know that this is the way we need to remain competitive, keep our ratings up, and the revenue will follow. So, we're trying not to take our foot off the gas relating to the strength of our program schedule.

So, John's earlier comments about the necessity to be very, very trim and prudent on other expenses remains true. So you know we'll keep it all in balance, but that's sort of the outlook on the programming front.

Aravinda Galappatthi: OK, and I also had a question on the digital channels, but specifically "Scream" and "Discovery Kids," and obviously I've noted that you know they broke – they ((inaudible)) about break-even last year in 2007. Could you talk a little bit about the EBITDA contribution that that's offering coming into 2008 and how you see those channels trending?

Paul Robertson: It's Paul here again. It is positive. It's in excess of about a million dollars and maybe over the next year or two we could double that. That's probably the magnitude of it.

Aravinda Galappatthi: OK, great. And finally on corporate costs, are you still looking for about 23 to 25 million for the year? Is that – is that reasonable?

Thomas Peddie: This is Tom speaking. The number would be closer to 23 than it would to 25.

Aravinda Galappatthi: OK. Excellent. That's all I had. Thank you very much.

Male: Thank you.

Operator: Thank you. Your next question comes from Drew McReynoles of RBC Capital Markets. Please go ahead.

Male: Morning, Drew.

Drew McReynoles: Good morning. Thanks very much. I guess three quick – hopefully quick follow-ups here. Just first on the television growth of five percent in the quarter, underlying that with two percent ad growth, two percent subscriber growth. What's the difference between those two?

John Cassaday: Web advertising.

Drew McReynoles: OK.

John Cassaday: That's the big piece. We had some service work out of the studio that contributed and we have a – those are the bulk things. We're experiencing really awesome growth on our Web properties right now, so that's the big – that's the gap between the two and the three.

Drew McReynoles: OK, that's great, thanks. And I guess for you, John, just on the pace (of growth proudly) speaking I think in the past you've said you know you still believe this is a mid-single-digit growth business. Just want to kind of confirm that that's still your view and that there isn't anything you know obvious out there with respect to changing conversion rates among digital subscribers.

John Cassaday: I'm still confident that we can get this thing into that. You know I don't want to – five percent, eight percent, I don't know what it is, but I do not think that we've run out of gas on pay. I think that this digital conversion opportunity for us moves us from simply you know ships rising with the tide to one where we just have to be great marketers, we have to take advantage of the fact that people have shifted to digital, that people are shifting into high definition, big screen, flat screen televisions.

There should be an increasing appetite for the quality programming that we offer, particularly the movies, on pay TV. So you know our view is that we just have to make sure that we have the right programs in place with our customer to incent them to convert people to pay when they move them off the analog to the digital platforms.

So, I look at a – at a digital base that is still only around 50 percent and has that upside, and then a pay base that's 50 percent of the digital base, and I say, "How can you look at that market and not still think that there is extraordinary growth opportunities going forward?" And as a result, we remain, despite the fact that admittedly we're you know we're going to be modest two, three percent growth this year, we remain convinced that this is a dynamic growth business for us.

Drew McReynoles: OK, that's great, John. Thanks for that. And my last question for Tom – just looking at the part two fees for all of 2008, do we just annualize year-to-date '08? Is that kind of a fair assumption?

Thomas Peddie: Yes, I think the number's about a (million two a quarter).

Drew McReynoles: OK, great. Thanks very much for that.

Operator: Thank you. Your next question comes from Jason Jacobson, GMP Securities. Please go ahead.

John Cassaday: Morning, Jason.

Jason Jacobson: Hi, good morning. Just a couple of questions left. Just the first one on content, there was a nice EBITDA pickup in the quarter. You spoke to a couple of deals that contributed to that. Just wondering if this is indication of a positive trend that we can expect going forward due to some of the performance of particular shows or would it have just been more timing related due to – due to some lumpy sales?

And then, just on the – on the part two fees as well, just wondering what timing you're expecting in terms of when the appeal decision should come down.

John Cassaday: I'll let Doug give you some color on the performance of content in the quarter.

Doug Murphy: Jason, hi, it's Doug. There was a significant one-time music rights transaction in the quarter which would be non-recurring, but there also is some growth in our merchandising business for (feeling) some very good sort of wind at our back on our (back gun) property. In addition to that, "Backyardigans" and "Babar" continue to trend nicely. So, there is – there is – in this quarter, there is a one-time non-recurring event, but we do feel positive with some of the trending we're seeing in our merchandise licensing business.

John Cassaday: Doug, could you just expand a little bit on what we're seeing at (Bacugon) globally?

Doug Murphy: Sure, John. (Bacugon) at the moment is the number two or three-rated boys toy in the North American marketplace and is rating strong in terms of both network performance and toy performance. So, we're really quite optimistic that we have a good shot at a big win here in North America. The focus now for the team is to place the series on international (free terrestrial) broadcasters. We're launching on (CartoonNet). We're going to nationally in August of this year and the toy rollout will begin probably in the spring of next. So, it's a real keen focus of ours now to continue to kind of feed this potential hit for us and we remain you know optimistic there might be a really good business here.

John Cassaday: On the – Jason, on the question regarding part two, obviously the first stage is to get the Supreme Court to respond positively to our application for a leave to appeal and we expect that that would happen in the fall. And then subsequent to that, assuming they review the decision, I don't think we're going to have a (BCE)-type lightening speed decision, given the magnitude of this relative to the (BCE) decision. But you know we would hope sometime in the next fiscal year we would get this thing sorted out.

Doug Murphy: OK, thank you very much.

John Cassaday: I just – I just – I don't think anyone has any real firm timetable on that at this particular point in time.

Doug Murphy: OK. Thank you.

Operator: Thank you. Your next question is a follow-up from Carl Bayard. Please go ahead.

Carl Bayard: Yes, just to follow up on the pay TV side. We keep on talking about growth all the time. Can you just comment on the retail price and trends you're seeing there for pay TV? Is that about to change?

John Cassaday: Every one of our customers has a – has a different approach on pay, and I think this is largely in response to the emergence of telco who are offering skinnier packages, if you will, and many of which include pay. So, it's really a commercial decision that's made by the (MSO) and it really relates to what their strategy is in terms of the competitiveness of their offering versus satellite and versus telco.

If you look at Shaw, for example, they made the decision to retain Encore on a digital tier but also move it into an analog movie-oriented package to really leverage their you know recognition that their customer base has a huge appetite for movies. So, I think you're going to see pricing generally from $12 to sort of $16 retail and I think you're not seeing any reluctance on the part of the (BDUs) to price this effectively – efficiently, rather, when they – when they feel a need to maintain their margins. So, no one, I don't think they're feeling any price pressure right now and as a result, we're not seeing any lack of enthusiasm in continuing to advance our interests along with theirs in building pay subscribers.

Carl Bayard: … just refresh our memory – how do (BDUs) make money with pay TV?

John Cassaday: Essentially the model is about a third, a third, a third, just to put it in the most simple terms. Us as the aggregator of programming receiving a third, the studios a third, and the BDU receiving a third of the retail price in terms of their profit margin.

Carl Bayard: OK.

John Cassaday: You'll recall our margins have been you know sort of widely acknowledged. In fact I saw them in the paper this morning in the you know low-20 range.

Carl Bayard: Right, OK.

John Cassaday: It's a nice profitable business for all parties.

Carl Bayard: OK, and just that follow-up question for John Hayes. I noticed retail sales are you know they've been weak in – I mean the growth in retail sales has been weak in western markets since January and I know that retail sales correlates pretty strongly with radio. Is that something that's worrying you? I mean you've been posting great growth in your western markets. If you could maybe just comment on that?

John Hayes: No, it's not anything that concerns us. The western markets have been very, very strong. The – I think the only – the only comment I would make is that we've got some substantial number of new competitors in Edmonton and Calgary which some people might view as a negative. I look at it as a positive. It might hurt us a little bit short-term, but long-term you've got (work) people on the street talking about the advantages of advertising on radio and that's a – that's a good thing.

I know that there is some fear that things might be slowing down a little bit in Alberta that you know furniture sales and automotive sales are ((inaudible)) a little bit. We're not – we're not feeling that at our stations. And then in Vancouver you know I think Vancouver is a pretty stable market, so I know that national has been stronger this year than local. But I think that is a – just a cyclical kind of a thing where some years national exceeds local growth and some years local does the other. So, no, I think I disagree with your question.

Carl Bayard: OK. Could you just – if you had to ballpark retail as a percentage of radio industry revenue, would you – would you have that figure off the top of your head?

John Hayes: No, but I have it in my – I have it in my book here – my ((inaudible)) book, so bear with me.

Carl Bayard: Sure.

John Hayes: I could give it to you by the – I think I can give it to you by the – by the quarter.

Male: Maybe we could just get back to you on that.

Carl Bayard: Yes, that's fine. That's terrific. So, thank you.

Male: … have that data. OK, anything else?

Carl Bayard: No, that's it.

Male: All right.

Operator: Thank you. Your next question is a follow-up from Scott Cuthbertson. Please go ahead.

Scott Cuthbertson: Thanks very much. My question's been answered.

Male: Thanks, Scott.

Operator: Thank you. Your next question comes from Randal Rudniski, Credit Suisse. Please go ahead.

John Cassaday: Morning, Randal.

Randal Rudniski: Good morning. I think two questions – first of all on part two fees, will you be making a payment related to part two fees this fall or will it depend on (when) the Supreme Court agrees to hear the appeal?

John Cassaday: We – until the decision is made, we will not be making any payments. So, we've accrued for it, but there's no payments, no cash flow impact until a firm decision is made.

Randal Rudniski: And if the Supreme Court did not agree to hear it, would you have the '07 and '08 payment to make?

Thomas Peddie: Randal, it's Tom. There's been no determination of that. What the CRTC has said is that they are not going to invoice anybody for this until there's a resolution. And so we don't know what the status of that is.

Randal Rudniski: OK, that's great. Thanks. And then second of all, relating to the television segment, with the ancillary revenues up strongly based on Web advertising and increased amount of service work at the studio, can you sort of describe what's happening within that content segment within the television division? Is – and why the service work is up so strongly?

John Cassaday: Basically it's one series. It's a series called "Handy Manny" that we're doing for Disney. But I would say 90 percent of what we're going to do out of the studio now and into the future is going to be exclusively to meet the needs of our television networks in Canada. And around the world the amount of service work that we do is going to be minimal. Clearly there was an incentive on our part to really solidify our relationship with Disney, and that's why we are participating in the production of "Handy Manny." And it's done on a – on a basis that is profitable to the company overall.

Paul Robertson: And just to add – it's Paul here – on the Web side, we redesigned the TreeHouse Web site, and as you know, TreeHouse has such a wonderful following among parents that when we redesigned the site, it attracted a lot of new revenues that was even somewhat unexpected. So, a big driver in the quarter was additional revenues on TreeHouse Web which we obviously we – we're enthusiastic will continue.

Randal Rudniski: Perfect. Thank you.

Operator: Thank you. Your next question comes from Eric Bernofsky, Desjardins Securities. Please go ahead.

John Cassaday: Morning, Eric.

Eric Bernofsky: Thanks. Good morning, guys. Couple questions – first, going back to Teletoon Retro which you mentioned at the outset of your comments, just wanted to get an idea of your plans going forward with that. Obviously the ratings have been very successful and the uptake on the subscriber front, but just wanted to get a sense of your plans from a revenue perspective when we might see their advertising or subscriber revenue really flow through to a – to a material sense that we'd be able to measure.

Secondly – just got the questions out of the way right off the bat – secondly, if there's any acquisitions out there either in specialty or radio, your feel for the market, if there's any properties that might be available and sort of what your feeling is in terms of acquisitions going forward. Thanks.

John Cassaday: OK. Well, on Teletoon Retro, we got off to a good start because we secured an excellent distribution base. Teletoon Retro's available in over five million homes. We are already seeing the impact of that on advertising. Our strategy was to essentially line extend Teletoon in a way that would allow us to attract more adult dollars. And this Retro business is basically targeted at the sort of adult 18-to-49 as opposed to kid-oriented business, and it's proving to be quite an effective brand. So, what we would expect is that we will start to see the impact of Teletoon Retro having a positive impact on the overall numbers for the Teletoon brand next year for sure. I think suffice it to say we're off to a much better start than even we had anticipated.

As it relates to the question of M&A, we're just going to continue to look for tuck-ins. As you know, we successfully integrated two radio stations, the (Groove) in Winnipeg and the (Beat) in (Dekichner) that were secured a year-and-a-half ago or so. We did this deal with (CTB) to acquire (CLT) which we talked about on the last call. I personally hope and think that there will be more willingness to swap assets and increase the strategic complementarity of our – of our various properties and that people will say, "Yes you know I think this one would be better with Corus," and maybe they'd be willing to swap me that and during when I think is going to be a lull in the big deals that there will be a willingness to try to improve our businesses by doing rational exchanges in the foreseeable future. So, but I don't think – I don't think a big one. But the (CLT) one that we will hopefully get approval for in the next few days you know should kick in for us early in the fall. We're working hard right now on our plans and we're optimistic that targeting this at women 35 to 54 provides a nice complementary third leg of the stool in our women's franchise.

Eric Bernofsky: Is the willingness to swap your perspective or are you sensing that that is beginning to become an industry-wide trend?

John Cassaday: I'd say it's our perspective, but I hope the more that we talk about it, the more people will think about it and come to the conclusion that we shouldn't you know fall in love with everything we have. We should look at our business from the standpoint of how they complement each other. I think there's a clear recognition that being able to acquire programming in packaging in packages or bundles is the way to go and when you've got an outlier that doesn't really in any way support your core franchise, it's probably not contributing as much it could. So, I'm hoping that more and more people will start to say, "OK, let's really put our efforts into this area where we can buy programming in a complementary way. We can bundle our sales efforts and we can be more efficient overall."

Eric Bernofsky: Thanks, appreciate the comments.

Operator: Thank you. Ladies and gentlemen, if there are any additional questions, please press star one at this time. Your next question comes from Ben Mogil. Please go ahead.

Ben Mogil: Hi, guys. So a follow-on, I think to actually Carl's follow-on. When you talked about the economics of pay TV for the cable operator, any concerns that you're having that the cable operators are you know particularly Shaw obviously are sort of more of the view that because they've got better economics in terms of ruling out home telephony and there's a limit to how many services they feel they can realistically push through on the consumers that they're simply focusing their marketing and their attention and their focus on you know services like home telephony where they keep a hundred percent of the economics and not services like yours where the economics are split?

John Cassaday: Well, I think that so much of the business of all of the (BDU's) depends on bundling off a strong video platform that there is a more than ample incentive for them to continue to do a great, great job on the video. I think they would all be worried that if they did not have a satisfied customer on video that they would not be able to bundle high-speed Internet or telephony. So, I think that it's in their enlightened self-interest to make sure that despite the obvious comment that you made about share margins versus you know 100 percent margins on some of the other properties that the you know the real driver here is having a highly satisfied video user who is willing to then let that wire extend into high-speed Internet and telephony. I think they'd be you know extremely concerned about losing the video portion because I think others you know the other pieces could fall off quickly without that. So, I think your hypothesis is perhaps faulty on that front.

Ben Mogil: OK, thanks.

John Cassaday: OK.

Operator: Thank you. There are no further questions at this time.

John Cassaday: All right, well, thank you very much. Appreciate all the questions and the interest in the company and you know hope you all agree that it was a pretty terrific quarter for Corus in Q3 and that our outlook for the future is quite positive. So, we look forward to seeing you at our Investor Day which is on September 25, location to be determined. It will be in Toronto. We're just looking for an appropriate site right now, but please mark on your calendars Corus Investor Day, September 25.

Thanks. Bye for now. Have a good day.

Operator: Ladies and gentlemen, this concludes the conference call for today. You may now disconnect your line and have a great day.

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