



***Second Quarter 2017
Report to Shareholders***

***For the Three and Six Months ended February 28, 2017
(Unaudited)***

TABLE OF CONTENTS

<i>Highlights</i>	3
<i>Significant Events in the Quarter</i>	4
<i>Significant Events Subsequent to the Quarter</i>	4
<i>Management's Discussion and Analysis</i>	5
<i>Overview of Consolidated Results</i>	6
<i>Television</i>	10
<i>Radio</i>	12
<i>Corporate</i>	13
<i>Quarterly Consolidated Financial Information</i>	13
<i>Risks and Uncertainties</i>	15
<i>Financial Position</i>	15
<i>Liquidity and Capital Resources</i>	16
<i>Outstanding Share Data</i>	18
<i>Key Performance Indicators</i>	18
<i>Impact of New Accounting Policies</i>	21
<i>Changes in Internal Control Over Financial Reporting</i>	21
<i>Consolidated Financial Statements and Notes</i>	22

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Highlights

Financial Highlights

(These highlights are derived from the unaudited consolidated financial statements)

(in thousands of Canadian dollars except per share amounts)	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Revenues				
Television	335,896	163,432	761,460	347,150
Radio	32,291	34,273	74,708	78,873
	368,187	197,705	836,168	426,023
Segment profit ⁽¹⁾				
Television	101,399	81,405	285,820	169,440
Radio	6,341	5,182	19,627	17,985
Corporate	(5,057)	(7,008)	(10,778)	(11,968)
	102,683	79,579	294,669	175,457
Net income attributable to shareholders	24,881	102,232	96,027	143,552
Adjusted net income attributable to shareholders ^{(1) (2)}	25,577	20,944	106,403	63,428
Weighted average number of shares outstanding				
Basic	199,849	87,688	198,572	87,784
Diluted \	200,155	87,688	198,743	87,901
Basic earnings per share	\$ 0.12	\$ 1.17	\$ 0.48	\$ 1.64
Adjusted basic earnings per share ^{(1) (2)}	\$ 0.13	\$ 0.24	\$ 0.53	\$ 0.72
Diluted earnings per share	\$ 0.12	\$ 1.17	\$ 0.48	\$ 1.63
Free cash flow ⁽¹⁾	96,022	24,284	129,931	58,821

⁽¹⁾ Segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions and explanations, see discussion under the Key Performance Indicators section of the Fiscal 2017 Report to Shareholders.

⁽²⁾ For the three months ended February 28, 2017, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of \$0.9 million (\$0.01 per share). For the six months ended February 28, 2017, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of \$14.1 million (\$0.05 per share). For the three months ended February 29, 2016, segment profit has been adjusted to include amortization of disposed Pay TV program rights of \$14.2 million (\$0.12 per share), while adjusted net income includes the preceding as well as excludes business acquisition, integration and restructuring charges of \$6.0 million (\$0.06 per share) and a gain on the disposal of the Pay TV disposal group of \$86.2 million (\$0.87 per share). For the six months ended February 29, 2016, segment profit has been adjusted to include amortization of disposed Pay TV assets of \$15.6 million (\$0.13 per share), while adjusted net income includes the preceding as well as excludes business acquisition, integration and restructuring charges of \$8.4 million (\$0.08 per share) and a gain on the disposal of the Pay TV disposal group of \$86.2 million (\$0.87 per share).

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Significant Events in the Quarter

- On December 12, 2016, the Company launched Cooking Channel Canada, a 24-hour network that caters to avid food lovers featuring exclusive programming with well-known celebrity cooks, unconventional how-tos, food exploration and much more. The Cooking Channel Canada expands Corus' strong presence in the food and lifestyle genre.
- On December 12, 2016, the Company was named, for the seventh consecutive year, as one of Greater Toronto's Top Employers for 2017 by MediaCorp Canada Inc. and *The Globe and Mail*. This designation recognizes employers for making their employees feel welcome and valued in the workplace, and for offering progressive and forward-thinking programs.
- On December 30, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On January 3, 2017, the Company launched Peggy @ 99-1 in Winnipeg, an upbeat 80's pop and current adult contemporary FM station.
- On January 10, 2017, the Company, for the seventh year, was recognized as one of Canada's Top Employers for Young People for 2017 by MediaCorp Canada Inc. and *The Globe and Mail*. This award honours employers that offer the nation's best workplaces and programs for young people.
- On January 13, 2017, the Company announced the voting results from its Annual Meeting of Shareholders (the "Meeting") held on January 11, 2017. All matters put forth at the Meeting were approved by 100% of votes cast by the Class A Voting Shareholders as detailed in the Company's filing on www.sedar.com.
- On January 31, 2017, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On February 2, 2017, the Company announced that it had partnered with Sharethrough, the industry's leading native supply side advertising platform, to launch a new native advertising offering across all of its online properties. This offering expands on Corus' capabilities in enabling brands to reach the Company's premium audiences through integrated, customized and automated advertising solutions.
- On February 7, 2017, the Company's Nelvana subsidiary announced that it had landed 15 new consumer product agreements with licensing agents across a broad range of categories for the animated hit series *Super Wings*.
- On February 28, 2017, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On March 1, 2017, the Company and Canada's leading radio broadcasters announced the launch of Radioplayer Canada. The streaming app gives radio listeners access to more than 400 Canadian radio stations, on any connected device, including iOS, Android and desktop player.
- On March 6, 2017, the Company became the first major Canadian broadcast publisher to offer first-party data to advertisers via standalone data sets which are available for buyers to purchase through their digital programmatic platforms. These datasets from Corus' audience intelligence platform enable advertisers to reach online consumers with the right ads at the right time.
- On March 10, 2017, the Company announced that its programming, original productions and content received a total of 12 Canadian Screen Awards, including Best News Special for Global Edmonton's coverage of the Fort McMurray wildfire evacuation; Best Visual Effects and Best Sound in a Comedy or Dramatic Program or Series for *Vikings on History*; and Best Writing in an Animated Program or Series for *Nerds and Monsters* on YTV.
- On March 21, 2017, the Company announced its new unscripted, lifestyle series, *The Baker Sisters*, which will be available for international sale at MIPTV. The series follows siblings and bakers Rachel Smith and Jean Parker as they visit bakeries, delis and restaurants, seeking out and sampling signature baked goods.

CORUS ENTERTAINMENT INC.

Second Quarter 2017 Report to Shareholders

- On March 28, 2017, the Company's Corus Studios announced multiple new international content deals for the popular original lifestyle series *Masters of Flip* and *Buying the View*. *Masters of Flip* is now available in 147 territories and *Buying the View* in 65 territories worldwide.
- On March 31, 2017, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On April 4, 2017, the Company's Kids Can Press subsidiary entered into the young adult book market with the release of two of its first four titles from the new KCP Loft imprint. The books include *Zenn Diagram* from debut, Chicago-area novelist Wendy Brant and *Keeping the Beat*, originally published as *Drummer Girl* to critical acclaim in the UK, from screenwriter and journalist Marie Powell and Canadian author and producer Jeff Norton. These titles are now available for purchase online and in select stores across the country. *Textrovert* and *Just a Normal Tuesday* are set to release later this spring.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2017 is prepared at March 31, 2017. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2016 Annual Report filed on SEDAR and the consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

Corus Entertainment Inc. ("Corus" or the "Company") reports its financial results under International Financial Reporting Standards ("IFRS") in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

Cautionary statement regarding forward-looking statements

This document contains forward-looking information and should be read subject to the following cautionary language:

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, currency value fluctuations and interest rates, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, currency value fluctuations and interest rates, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws, regulations and policies or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

For a discussion on the Company's results of operations for fiscal 2016, we refer you to the Company's Annual Report for the year ended August 31, 2016 filed on SEDAR on December 12, 2016.

The following discussion describes the significant changes in the consolidated results from operations.

Overview of Consolidated Results

Commencing April 1, 2016, 100% of the operating results of Shaw Media Inc. (the "Acquisition" or "Shaw Media"), as well as its assets and liabilities have been fully consolidated as a business combination in accordance with IFRS 3 – *Business Combinations* and, as a result, Shaw Media has been accounted for by applying the acquisition method as of that date. Shaw Media has been reported as part of the Television segment as of April 1, 2016 (refer to note 27 of the Company's audited annual consolidated financial statements for the year ended August 31, 2016).

In addition, for fiscal 2016, certain of Corus' Pay Television business' ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The Company's business activities are conducted through two operating segments, Television and Radio. The disposal group, Pay TV, was not a separate operating segment, but was included as part of the Television operating segment. Accordingly, the disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remained in continuing operations in the consolidated statement of income and comprehensive income for the year ended August 31, 2016. However, intangible assets classified as held for disposal ceased being amortized effective November 19, 2015 and as a consequence, amortization of program and film rights in the Television segment for the three and six months ended February 29, 2016 is lower by approximately \$14.2 million and \$15.6 million, respectively, than it would have been had amortization on these assets not ceased. On February 29, 2016, the Pay TV disposition was completed and the related proceeds and gain associated with this disposal group were recognized (refer to note 27 of the Company's audited annual consolidated financial statements for the year ended August 31, 2016).

These transactions contributed to the significant year-over-year variances in the consolidated operating results for the three and six months ended February 28, 2017, as the comparable prior year periods include the operating results of the Pay TV business but do not include the operating results of Shaw Media. In the prior year's quarter, Shaw Media generated revenues and segment profit of \$227.5 million and \$51.2 million, respectively, while Pay TV generated revenues and segment profit of \$36.4 million and \$34.1 million, respectively. In the six months ended February 29, 2016, Shaw Media generated revenues and segment profit of \$522.0 million and \$169.3 million, respectively, while Pay TV generated revenues and segment profit of \$67.8 million and \$49.3 million, respectively.

Revenues

Consolidated revenues for the second quarter of fiscal 2017 of \$368.2 million increased 86% compared to \$197.7 million in the prior year. On a consolidated basis, advertising revenues, and subscriber revenues increased 191% and 40%, respectively, while merchandising, distribution and other revenues decreased 45%. Revenues increased in Television by 106%, but decreased in Radio by 6% in the second quarter compared to the prior year. The significant increase in revenues is mainly attributable to the Acquisition, offset by the shutdown of Pay TV, as discussed above, as well as a

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

decrease in the Radio revenues. On a pro forma basis, including Shaw Media and excluding Pay TV for the second quarter last year, total revenues declined 5% compared to the prior year.

For the six month period ended February 28, 2017, consolidated revenues of \$836.2 million were up 96% from \$426.0 million in the prior year. On a consolidated basis, advertising revenues and subscriber revenues increased by 179% and 43%, respectively, while merchandising, distribution and other revenues decreased by 34%. Revenues increased in Television by 119%, but decreased in Radio by 5% in the current year compared to the prior year. The significant increase in revenues is mainly attributable to Shaw Media, the operating results of which are included in the Television segment since April 1, 2016, offset by the shutdown of Pay TV effective February 29, 2016. On a pro forma basis, including Shaw Media and excluding Pay TV for the six months ended February 29, 2016, total revenues declined 5% compared to the prior year.

Further analysis of revenue is provided in the discussions of segmented results.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the second quarter of fiscal 2017 of \$265.5 million increased 125% from \$118.1 million in the prior year. On a consolidated basis, direct cost of sales increased 168%, employee costs increased by 100%, and other general and administrative expenses increased by 82%. In the prior year, direct cost of sales excluded amortization of disposed Pay TV program and film rights of \$14.2 million that were part of the disposal group.

For the six month period ended February 28, 2017, direct cost of sales, general and administrative expenses of \$541.5 million were up 116% from \$250.6 million in the prior year. On a consolidated basis, direct cost of sales increased 140%, employee costs increased 106% and other general and administrative expenses increased 83%. For the six months ended February 29, 2016, direct cost of sales excludes amortization not taken on Pay TV program and film right assets of \$15.6 million that were part of the disposal group.

The significant increase in direct cost of sales, general and administrative expenses in the three and six months ended February 28, 2017 is mainly attributable to the Acquisition, offset by the shutdown of Pay TV as discussed above.

Further analysis of expenses is provided in the discussion of segmented results.

Segment profit

Consolidated segment profit for the second quarter of fiscal 2017 was \$102.7 million, an increase of 29% from \$79.6 million last year. On a pro forma basis, including Shaw Media and excluding Pay TV for the second quarter last year, segment profit increased 6% compared to the prior year.

Segment profit margin of 28% for the second quarter of fiscal 2017 was down from 40% in the prior year (as reported) and up from 25% on a pro forma basis.

For the six months ended February 28, 2017, consolidated segment profit was \$294.7 million, up 68% from \$175.5 million last year. On a pro forma basis, including Shaw Media and excluding Pay TV for the six months ended February 29, 2016, segment profit remained consistent with the prior year.

Segment profit margin of 35% for the six months ended February 28, 2017 was down from 41% in the prior year (as reported) and up from 34% on a pro forma basis.

The significant increase in segment profit in the three and six months ended February 28, 2017 is mainly attributable to the Acquisition. Further analysis is provided in the discussions of segmented results.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Depreciation and amortization

Depreciation and amortization expense for the second quarter of fiscal 2017 was \$23.1 million, an increase from \$10.6 million in the prior year. For the six month period ended February 28, 2017, depreciation and amortization expense was \$45.6 million, up from \$21.6 million in the prior year. The increase in the quarter and year-to-date arises from incremental depreciation and amortization associated with property, plant and equipment, and intangible assets acquired as a result of the Acquisition.

Interest expense

Interest expense for the three and six month periods ended February 28, 2017, was \$39.0 million and \$78.7 million, respectively, up from \$18.5 million and \$37.4 million, respectively, in the prior year. The increase is due to higher interest on long-term debt and imputed interest costs. The increase in interest on long-term debt of \$18.7 million in the quarter and \$36.7 million for the fiscal year-to-date is attributable to increased bank debt associated with financing the Acquisition. The increase in imputed interest costs of \$1.8 million in the quarter and \$4.5 million for the year-to-date is attributable to incremental long-term obligations assumed with the Acquisition.

The effective interest rate on bank loans and notes for both the three and the six month period ended February 28, 2017 was 4.7% compared to 4.3% in the prior year for the same comparable periods. The higher effective rate in the current fiscal year is attributable to the Company's syndicated senior secured credit facilities established April 1, 2016 in connection with the Acquisition and the resulting higher leverage.

Business acquisition, integration and restructuring costs

For the three months ended February 28, 2017, the Company incurred \$0.9 million of business acquisition, integration and restructuring costs compared to \$6.0 million in the prior year.

For the six months ended February 28, 2017, the Company incurred \$14.1 million of business acquisition, integration and restructuring costs compared to \$8.4 million last year. The current fiscal year costs were attributable to costs relating to ongoing integration activities, as well as an onerous premise lease provision of approximately \$8.0 million for the previous Shaw Media offices in Toronto, which were fully vacated in the first quarter of fiscal 2017. These charges are excluded from the determination of segment profit.

Gain on disposition

On February 29, 2016, the Company disposed of certain assets and related liabilities of its Pay TV business, which resulted in a gain of \$86.2 million. The Company received cash proceeds of \$211.0 million from Bell Media Inc. to cease operations of its Pay TV business. Further detail is provided in the discussion of the segmented results as well as note 27 of the Company's annual consolidated financial statements for the year ended August 31, 2016.

Other expense (income), net

Other income for three months ended February 28, 2017 was \$3.9 million, compared to an expense of \$5.1 million in the prior year. The increase results primarily from foreign exchange gains and higher equity earnings from investees.

Other expense for the six months ended February 28, 2017 was \$2.9 million compared to \$9.1 million in the prior year. The decrease results primarily from lower foreign exchange losses.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Income tax expense

The effective tax rate for the three and six months ended February 28, 2017 was 26.7% and 26.6%, respectively, consistent with the Company's 26.5% statutory rate. The effective tax rate for the three and six month period ended February 29, 2016 was 17.8% and 21.2%, respectively, compared to the Company's 26.5% statutory rate. The lower effective tax rate in the prior year is primarily the result of the non-taxable portion of capital gains associated with the disposition of certain Pay TV assets recorded in the second quarter of fiscal 2016.

Net income attributable to shareholders and earnings per share

Net income attributable to shareholders for the second quarter of fiscal 2017 was \$24.9 million (\$0.12 per share), as compared to \$102.2 million (\$1.17 per share) in the prior year. Net income attributable to shareholders for the second quarter of fiscal 2017 includes business acquisition, integration and restructuring costs of \$0.9 million (\$0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$25.6 million (\$0.13 per share basic) in the quarter. Net income attributable to shareholders for the prior year quarter includes business acquisition, integration and restructuring costs of \$6.0 million (\$0.06 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of \$86.2 million (\$0.87 per share), and excludes amortization of disposed of Pay TV program and film rights of \$14.2 million (\$0.12 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$20.9 million (\$0.24 per share basic) for the prior year quarter.

Net income attributable to shareholders for the six months ended February 28, 2017 was \$96.0 million (\$0.48 per share), as compared to \$143.6 million (\$1.64 per share) in the prior year. Net income attributable to shareholders for fiscal 2017 year-to-date includes business acquisition, integration and restructuring costs of \$14.1 million (\$0.05 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$106.4 million (\$0.53 per share basic) for the current year-to-date. Net income attributable to shareholders for the six months ended February 29, 2016 includes business acquisition, integration and restructuring costs of \$8.4 million (\$0.08 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of \$86.2 million (\$0.87 per share), and excludes amortization of disposed of Pay TV program and film rights of \$15.6 million (\$0.13 per share). Removing the impact of these items results in an adjusted net income attributable to shareholders of \$63.4 million (\$0.72 per share basic) for the prior fiscal year-to-date.

The weighted average number of basic shares outstanding for the three and six months ended February 28, 2017 was 199,849,000 and 198,572,000, respectively, compared to 87,688,000 and 87,784,000 in the prior year for the same comparable periods. The number of shares outstanding increased in connection with the Acquisition and from the issuance of shares from treasury under the Company's dividend reinvestment plan.

Other comprehensive income, net of tax

Other comprehensive income for the six months ended February 28, 2017 was \$26.6 million, compared to \$0.7 million in the prior year. For the six months ended February 28, 2017, comprehensive income includes an unrealized gain associated with remeasurement of fair value of cash flow hedges of \$13.3 million, an actuarial gain on post-employment benefit plans of \$13.1 million, and an unrealized gain from foreign currency translation adjustments of \$0.2 million.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Television

The Television segment is comprised of 45 specialty television services, 15 conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing, animation software and technology and media services. On February 29, 2016, the Company discontinued its Pay TV business. On April 1, 2016, the Company acquired 100% of Shaw Media from Shaw Communications Inc., which included 19 specialty services, 12 Global Television branded conventional television stations, Global News and globalnews.ca, and HistoryGO and GlobalGO apps.

Financial Highlights

(thousands of Canadian dollars)	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Revenues	335,896	163,432	761,460	347,150
Expenses	234,497	82,027	475,640	177,710
Segment profit ⁽¹⁾	101,399	81,405	285,820	169,440
Segment profit margin ⁽¹⁾	30%	50%	38%	49%
Amortization of disposed assets	—	(14,185)	—	(15,585)
Adjusted segment profit ⁽¹⁾	101,399	67,220	285,820	153,855
Adjusted segment profit margin ⁽¹⁾	30%	41%	38%	44%

⁽¹⁾As defined in the "Key Performance Indicators" section

The acquisition of Shaw Media and the shutdown of Pay TV contributed to the significant year-over-year variances in the operating results for the Television segment. The second quarter and the year-to-date of the prior year includes the operating results of Pay TV but does not include the operating results of Shaw Media. In the second quarter of the prior year, Shaw Media generated revenues and segment profit of \$227.5 million and \$51.2 million, respectively, while Pay TV generated revenues and segment profit of \$36.4 million and \$34.1 million, respectively. In the six months ended February 29, 2016, Shaw Media generated revenues and segment profit of \$522.0 million and \$169.3 million, respectively, while Pay TV generated revenues and segment profit of \$67.8 million and \$49.3 million, respectively.

Revenues increased by 106% in the second quarter of fiscal 2017 as a result of a 330% increase in advertising revenues and a 40% increase in subscriber revenues, offset by a 47% decrease in merchandising, distribution and other revenues. On a year-to-date basis, revenues increased 119% as a result of a 291% increase in advertising revenues and a 43% increase in subscriber revenues, offset by a 36% decrease in merchandising, distribution and other revenues.

The following discussion highlights revenues for the second quarter of fiscal 2017 and year-to-date on a pro forma basis, after adjusting the prior year operating results for the inclusion of Shaw Media and exclusion of the Pay TV results. On a pro forma basis, total revenues for the second quarter and year-to-date both decreased 5% compared to the prior year.

On a pro forma basis, total advertising revenues decreased 4% in the quarter and 6% for the year-to-date compared to the prior year. This is as a result of several factors in the quarter, including the timing of agency contract renewals, particularly, the loss in Calendar 2016 of a major agency deal, and the overall general softness in the ad market. On a year-to-date basis, the decline was further impacted by the non-recurrence of federal election spending which occurred in the first quarter of the prior year. This was partially offset by year-over-year growth from integrated advertising sales.

On a pro forma basis, total subscriber revenues increased 1% in the quarter and 4% for the year-to-date compared to the prior year. The year-over-year variances reflect the positive impact from the launch Disney Channel (Canada) and La

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

chaîne Disney in September 2015 and the launch of Disney Jr, and Disney XD in December 2015, as well as annual wholesale fee increases in certain carriage agreements.

On a pro forma basis, merchandising, distribution and other revenues decreased 44% for the second quarter and 39% for the year-to-date. The prior year included higher service work in the Nelvana studio as well as several large subscription video-on-demand content deals of approximately \$8.5 million and \$14.8 million, respectively for the same periods in the comparable quarter.

Total expenses in the second quarter of fiscal 2017 increased by 186% and increased 168% on a year-to-date basis. In the second quarter, direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) increased 174% and general and administrative expenses increased 203% from the prior year. On a year-to-date basis, direct cost of sales increased 146% and general and administrative expenses increased 204%. On a pro forma basis, direct cost of sales were down 6% in the second quarter of fiscal 2017 and 4% for the year-to-date, primarily as a result of timing of program investments, while general and administrative expenses were down 12% for the quarter and 11% for the year-to-date, reflecting the realization of cost synergies.

Segment profit ⁽¹⁾ increased 25% in the second quarter of fiscal 2017 and 69% on a year-to-date basis. On a pro forma basis, segment profit ⁽¹⁾ increased 3% in the second quarter of fiscal 2017 and decreased 1% for the year-to-date. Segment profit margin ⁽¹⁾ for the quarter was 30%, compared to 50% in the prior year or 28% on a pro forma basis and for the year-to-date was 38%, compared to 49% in the prior year or 36% on a pro forma basis.

Global's winter season continued to deliver solid programming results with some of the mid-season premieres returning stronger than in the Fall. Global's programming ranking in the Top 20 demo for adults 25-54 has increased with 9 shows this season versus 5 last year. In the Specialty business, this winter Corus had 7 of the Top 10 networks for both adults 25-54 and women 25-54, as well as all 5 of the top 5 children's channels for kids 2-11⁽²⁾. From a program standpoint, Corus has 7 of the top 10 specialty programs for adults 25-54, up 4 from last year and 12 of the top 20, up 5 from last year.

For fiscal 2016, certain of Corus' Pay TV assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remain in continuing operations. Intangible assets reclassified as held for disposal ceased being amortized effective November 19, 2015 and, as a consequence, amortization of program and film rights in the Television segment for the three months and year-to-date ended February 29, 2016 is lower by approximately \$14.2 million and \$15.6 million, respectively, than it would have been had amortization on these assets not ceased. Adjusting for this, segment profit for the three months and year-to-date ended February 29, 2016 would have been \$67.2 million and \$153.9 million, respectively, while segment profit margin would have been 41% and 44%, respectively. Further discussion is provided in note 27 of the Company's audited annual consolidated financial statements for the year ended August 31, 2016.

⁽¹⁾ As defined in the "Key Performance Indicators" section

⁽²⁾ Based on Numeris TV Meter, Total Canada, Global Spring 2017 weeks 14-26, Specialty Networks Spring 2017 weeks 14-26 ex. Sports

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Radio

The Radio segment is comprised of 39 radio stations situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach.

Financial Highlights

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
(thousands of Canadian dollars)				
Revenues	32,291	34,273	74,708	78,873
Expenses	25,950	29,091	55,081	60,888
Segment profit ⁽¹⁾	6,341	5,182	19,627	17,985
Segment profit margin ⁽¹⁾	20%	15%	26%	23%

⁽¹⁾As defined in the "Key Performance Indicators" section

Revenues decreased 6% for the second quarter of fiscal 2017 and 5% for the year-to-date. The Ontario markets remained stable. This was driven by strong growth in Ottawa and Kitchener; however, was offset by declines in the West, as a result of continued soft economic conditions in Vancouver and Alberta, as well as ratings challenges in Winnipeg.

Direct cost of sales, general and administrative expenses decreased 11% in the second quarter of fiscal 2017 and 10% for the year-to-date. Direct cost of sales decreased 8% in the quarter and 6% year-to-date, while selling, general and administrative costs decreased 11% in the second quarter and 10% year-to-date. The significant decrease in selling, general and administrative costs is attributable to the realization of cost synergies discussed below.

Radio's segment profit increased \$1.2 million in the second quarter of fiscal 2017 and \$1.6 million for the year-to-date, with a segment profit margin of 20% in the quarter and 26% for the year-to-date, compared to 15% and 23%, respectively, in the prior year. On April 1, 2016, in conjunction with the Shaw Media acquisition, the Company announced a new organizational structure that harnesses the combined power of the Company's radio operations and its conventional television stations to create a strong presence in local advertising – across radio, TV and digital. Accordingly, the second quarter of fiscal 2017 and year-to-date results reflect the continued realization of cost synergies derived from these efforts.

Subsequent to the quarter, the Winter PPM audience ratings were released with solid results, particularly in the West. Highlights in the Adults 25-54 demographic segment include the following: Toronto's AM640 maintained its ranking with a 20% increase from last Winter, while Toronto's Q107 and 102.1 the Edge each dropped one rank position from the last book; Calgary's Country 105 maintained its number one ranked position while Q107 gained 5 ranked positions from the last book; the Edmonton radio cluster ranked first overall in the market with a 17% increase versus last winter, helped by a strong share increase for CISN Country 103.9 and a boost from Fresh Radio airing Christmas Music in December; Vancouver's CFOX and Rock 101 both saw share increases, improving their rank positions to the number two and four ranked positions.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Corporate

The Corporate results are comprised of the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions.

Financial Highlights

(thousands of Canadian dollars)	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Share-based compensation	1,961	1,020	3,473	790
Other general and administrative costs	3,096	5,988	7,305	11,178
	5,057	7,008	10,778	11,968

Share-based compensation includes expenses related to the Company's stock options and other long-term incentive plans (such as Performance Share Units - "PSUs", Deferred Share Units – "DSUs", and Restricted Share Units – "RSUs"). The expense fluctuates with changes in assumptions, primarily regarding the Company's share price and number of units estimated to vest.

The increase in share-based compensation expense for both the second quarter of fiscal 2017 and the year-to-date is due to unusually low expense in the prior year as a result of revaluing obligations associated with a lower share price. Higher share-based compensation expense for the three and six months ended February 28, 2017 reflects an expanded number of participants in the long-term incentive plans, an increase in the number of units estimated to hit vesting targets and a higher share price in the current year.

Other general and administrative costs were lower in the second quarter of fiscal 2017 and the year-to-date, reflecting realization of cost synergies related to corporate centralized services that support operating divisions such as information technology, facilities, human resources and finance.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2016, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the strongest and second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended February 28, 2017. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2016.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit ⁽¹⁾	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders	Earnings (loss) per share		
					Basic	Diluted	Adjusted
2017							
2nd quarter	368,187	102,683	24,881	25,577	\$ 0.12	\$ 0.12	\$ 0.13
1st quarter	467,981	191,986	71,146	80,826	\$ 0.36	\$ 0.36	\$ 0.41
2016							
4th quarter	384,467	105,371	25	14,535	\$ —	\$ —	\$ 0.07
3rd quarter	360,824	130,186	(15,766)	52,950	\$ (0.10)	\$ (0.10)	\$ 0.34
2nd quarter	197,705	79,579	102,232	20,944	\$ 1.17	\$ 1.17	\$ 0.24
1st quarter	228,318	95,878	41,320	42,484	\$ 0.47	\$ 0.47	\$ 0.49
2015							
4th quarter	193,599	55,493	17,835	23,967	\$ 0.21	\$ 0.21	\$ 0.28
3rd quarter	203,121	68,699	(8,109)	31,550	\$ (0.09)	\$ (0.09)	\$ 0.36

⁽¹⁾As defined in "Key Performance Indicators".

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the second quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of \$0.9 million (\$0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of \$13.2 million (\$0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of \$19.6 million (\$0.07 per share).
- Revenues, segment profit and net income attributable to shareholders was positively impacted by the Acquisition and inclusion of its operating results effective April 1, 2016; however, it was negatively impacted by the shutdown of the Pay TV business effective February 29, 2016. Net income attributable to shareholders for the third quarter of fiscal 2016 was also negatively impacted by business acquisition, integration and restructuring costs of \$29.3 million (\$0.15 per share) and debt refinancing costs of \$61.2 million (\$0.29 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2016 was positively impacted by a gain of \$86.2 million (\$0.87 per share) resulting from a gain on disposition of assets relating to the Pay TV business, amortization ceasing on certain programming assets disposed of at the end of the quarter of \$14.2 million (\$0.12 per share), and negatively impacted by restructuring costs of \$6.0 million (\$0.06 per share). In addition, segment profit was also positively impacted by the cessation of amortization on the aforementioned Pay TV programming assets by \$14.2 million.
- Net income attributable to shareholders for the first quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of \$2.4 million (\$0.03 per share) and positively impacted by amortization ceasing on certain programming assets reclassified as held for disposal of \$1.4 million (\$0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of \$8.3 million (\$0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2015 was negatively impacted by non-cash impairment charges in program rights and film investments of \$51.8 million (\$0.44 per share) and restructuring costs of \$2.7 million (\$0.02 per share).

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Risks and Uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2016 Annual Report under the "Risks and Uncertainties" section. On March 24, 2017, the Writers Guild of America leadership asked its members for a strike authorization vote. As a result, there has been the following change in the risks or uncertainties facing the Company since the date of its Annual Report.

Programming Supply from the United States

Through affiliated and third-party production studio companies in the U.S., the Company's Television segment acquires programming that is reliant on the services of unionized labour. The Alliance of Motion Picture and Television Producers is a multi-employer trade association, which, along with and on behalf of hundreds of member companies, including the Company's programming suppliers in the United States, negotiates the industry-wide collective bargaining agreements with these parties. Any labour dispute with the labour organizations that represent any of these parties could impact the availability of programming content from the U.S. and adversely impact the Company's results of operations.

FINANCIAL POSITION

Total assets were \$6.1 billion at February 28, 2017 and August 31, 2016. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2016.

Current assets at February 28, 2017 were \$527.6 million, up \$57.5 million from August 31, 2016.

Cash and cash equivalents decreased by \$15.6 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$68.2 million from August 31, 2016. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher in the first and third quarters and lower in the second and fourth quarters as a result of the broadcast revenue seasonality. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable decreased \$6.3 million from August 31, 2016 as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Investments and other assets increased \$13.5 million from August 31, 2016, primarily as a result of additional investments in Venture funds and unrealized gains in cash flow hedges and defined benefit pension plans, offset by equity losses from associates.

Property, plant and equipment decreased \$13.7 million from August 31, 2016, as a result of depreciation expense exceeding additions for the first six months of fiscal 2016.

Program and film rights increased \$7.9 million from August 31, 2016, as additions of acquired rights of \$262.3 million were offset by amortization of \$254.4 million.

Film investments increased \$5.7 million from August 31, 2016, as film spending (net of tax credit accruals) of \$14.7 million was offset by film amortization of \$9.0 million.

Intangibles decreased \$16.0 million from August 31, 2016, primarily as a result of amortization of finite life intangibles exceeding additions. Goodwill decreased \$3.0 million from August 31, 2016 from the finalization of working capital from the Shaw Media acquisition.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Accounts payable and accrued liabilities increased \$90.9 million from August 31, 2016, primarily as a result of higher accruals for program rights and trade mark liabilities, dividends payable, offset by lower accrued liabilities. The decrease in accrued liabilities relates primarily to the timing of short-term compensation accruals.

Provisions, including the long-term portion, at February 28, 2017 was \$28.3 million compared to \$30.3 million at August 31, 2016. The decrease of \$2.0 million from August 31, 2016 is as a result of payments made related to restructuring exceeding additions, offset by the addition of an onerous premise lease provision during fiscal 2017.

Long-term debt, including current portion, at February 28, 2017 was \$2,141.8 million compared to \$2,196.0 million at August 31, 2016. As of February 28, 2017, the \$129.4 million classified as the current portion of long-term debt reflects the mandatory repayment on the debt in the next twelve months. During the six months ended February 28, 2017, the Company repaid bank loans of \$57.4 million and amortized \$3.2 million of deferred financing charges.

Other long-term liabilities decreased by \$93.1 million from August 31, 2016, primarily from decreases in long-term program rights payable, the fair value of cash flow hedges and defined benefit plans, and CRTC benefit obligations, offset by imputed interest on long-term liabilities.

Share capital increased \$60.3 million, as a result of the issuance of shares from treasury under the Company's dividend reinvestment plan.

Contributed surplus increased \$0.5 million due to share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position increased by \$38.8 million in the second quarter of fiscal 2017 and decreased by \$15.6 million over the six months ended February 28, 2017. Free cash flow for the three and six months ended February 28, 2017 was \$96.0 million and \$129.9 million, respectively, compared to free cash flow of \$24.3 million and \$58.8 million in same comparable periods in the prior year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash flow from operating activities for the three and six months ended February 28, 2017 was \$102.0 million and \$124.3 million, respectively, compared to \$26.8 million and \$63.4 million in the same comparable periods in the prior year. The increase in the current fiscal year arises from higher cash flow from operations, primarily as a result of the Acquisition, offset by lower cash provided from working capital.

Cash used by investing activities in the three and six months ended February 28, 2017 was \$1.6 million and \$10.5 million, respectively, compared to cash provided of \$179.7 million and \$194.7 million in the same comparable periods in the prior year. The decrease in the current fiscal year is primarily due to net cash proceeds received in the prior year from Bell relating to the shutdown of the Pay TV business of \$188.4 million in the quarter and \$209.5 million year-to-date (refer to note 27 of the audited consolidated financial statements for the period ended August 31, 2016 for further details).

Cash used by financing activities in the three and six months ended February 28, 2017 was \$61.6 million and \$129.4 million, compared to cash provided of \$87.1 million and \$40.2 million in the same comparable periods in the prior year. In the second quarter of fiscal 2017, the Company decreased bank debt by \$29.3 million and paid dividends of \$32.1 million. On a year-to-date basis, the Company decreased bank debt by \$57.5 million and paid dividends of \$71.5 million. In fiscal 2016, the Company raised \$280.3 million in the second quarter by issuing subscription receipts, paid down bank debt in the quarter and year-to-date by \$168.7 million and \$188.7 million, respectively, and paid dividends in the quarter and year-to-date of \$19.8 million and \$45.3 million, respectively.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Liquidity

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) of 3.0 to 3.5 times, and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. The Company is currently operating above these internally imposed objectives as a result of the Acquisition and is committed to bringing the leverage target back within the target range by the end of fiscal 2018.

As at February 28, 2017, the Company had available approximately \$300.0 million under the Revolving Facility, of which \$156.0 million could be drawn, and was in compliance with all loan covenants. As at February 28, 2017, the Company had a net cash balance of \$55.8 million.

For further details on the credit facilities established on April 1, 2016 refer to note 9 of the Company's interim condensed consolidated financial statements.

With the changes to the credit facilities on April 1, 2016, management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

Net debt to segment profit

As at February 28, 2017, net debt was \$2,086.1 million, down from \$2,124.7 million at August 31, 2016. Net debt to segment profit at February 28, 2017 was 3.8 times on a pro forma basis, after adjusting segment profit to include the Acquisition for the last twelve months. Further discussion on this is contained in the Key Performance Indicators section.

Total capitalization

At February 28, 2017, total capitalization was \$4,637.2 million, an increase of \$36.2 million from August 31, 2016. The increase is attributable to the issuance of \$60.3 million of shares from treasury under the Company's dividend reinvestment plan, higher net income and other comprehensive income, and higher net debt.

Off-Balance Sheet arrangements and derivative financial instruments

During the third quarter of fiscal 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements at February 28, 2017 is \$3.7 million, which has been recorded in the interim condensed consolidated statements of financial position as an asset.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Outstanding Share Data

As at March 31, 2017, 3,425,792 Class A Voting Shares and 198,864,465 Class B Non-Voting Shares were issued and outstanding.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2016, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. Segment profit margin is calculated by dividing segment profit by revenues. Segment profit and segment profit margin may be calculated and presented for an individual operating segment, or for the consolidated Company. The Company believes segment profit is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; significant intangible asset impairments; debt refinancing; non-cash gains or losses and certain other income and expenses (note 13 to the Company's interim condensed consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 15 to the Company's interim condensed consolidated financial statements. Segment profit and segment profit margin do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and are not necessarily comparable to similar measures presented by other companies.

Certain key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. The following tables reconcile those key performance indicators that are not in accordance with IFRS measures:

Adjusted segment profit and adjusted segment profit margin

Adjusted segment profit is calculated as segment profit less amortization of Pay TV programming assets if they had not been reclassified as held for sale as at November 19, 2015. Adjusted segment profit margin is calculated by dividing adjusted segment profit by revenues. Segment profit and segment profit margin do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Segment profit and segment profit margin should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

	Three months ended		Three months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
[thousands of Canadian dollars]				
<i>Adjusted segment profit</i>				
Reported segment profit	102,683	79,579	294,669	175,457
<i>Adjustments:</i>				
Amortization not taken on Pay TV assets disposed of	—	(14,185)	—	(15,585)
Adjusted segment profit	102,683	65,394	294,669	159,872
Adjusted segment profit margin	28%	33%	35%	38%

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities, as reported in the consolidated statements of cash flows, and then adding back cash used specifically for business combinations and strategic investments and deducting net proceeds from dispositions. Free cash flow is a key metric used by the investing community that measures the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends, and repurchase shares. Free cash flow does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Free cash flow should not be considered in isolation or as a substitute for cash flows prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

[thousands of Canadian dollars]	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Cash provided by (used in):				
Operating activities	101,999	26,818	124,347	63,449
Investing activities	(1,633)	179,733	(10,515)	194,675
	100,366	206,551	113,832	258,124
Add back: cash used in (provided by) business combinations and strategic investments ⁽¹⁾⁽²⁾	(4,344)	(182,267)	16,099	(199,303)
Free cash flow	96,022	24,284	129,931	58,821

⁽¹⁾ Strategic investments are comprised of investments in venture funds and associated companies.

⁽²⁾ Adjusted to remove the impact of disposing the Pay TV business.

Free cash flow in the current year reflects the inclusion of the Shaw Media business, while the prior year quarter does not include the Shaw Media business as the Acquisition was not effective until April 1, 2016.

Adjusted net income and adjusted basic earnings per share

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. Management uses adjusted net income and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income and adjusted basic earnings per share are defined as net income and basic earnings per share before items such as: non-recurring gains or losses related to acquisitions and/or dispositions of investments; costs of debt refinancing; non-cash impairment charges; and business acquisition, integration and restructuring costs. Management believes that adjusted net income and adjusted basic earnings per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income and adjusted basic earnings per share do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Adjusted net income and adjusted basic earnings per share should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

Adjusted net income and adjusted basic earnings per share reconciliation

(thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Net income attributable to shareholders	24,881	102,232	96,027	143,552
Adjustments, net of income tax:				
Gain on disposal of Pay TV assets	—	(76,631)	—	(76,631)
Amortization of certain Pay TV assets	—	(10,426)	—	(11,455)
Business acquisition, integration and restructuring costs	696	5,769	10,376	7,962
Adjusted net income attributable to shareholders	25,577	20,944	106,403	63,428
Basic earnings per share	\$0.12	\$1.17	\$0.48	\$ 1.64
Adjustments, net of income tax:				
Gain on disposal of Pay TV assets	—	(0.87)	—	(0.87)
Amortization of certain Pay TV assets	—	(0.12)	—	(0.13)
Business acquisition, integration and restructuring costs	0.01	0.06	0.05	0.08
Adjusted basic earnings per share	\$0.13	\$0.24	\$0.53	\$ 0.72

Net debt and net debt to segment profit

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the Consolidated Statements of Financial Position. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date. Net debt to segment profit is an important measure of the Company's liquidity. Net debt and net debt to segment profit do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

(thousands of Canadian dollars)	as at February 28, 2017	as at August 31, 2016
Total bank debt and notes	2,141,837	2,196,020
Cash and cash equivalents	(55,777)	(71,363)
Net debt	2,086,060	2,124,657

Net debt to segment profit

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations. Net debt to segment profit does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

(thousands of Canadian dollars)	As at February 28, 2017	As at August 31, 2016
Net debt (numerator)	2,086,060	2,124,657
Segment profit (denominator) ⁽¹⁾	530,226	411,014
Net debt to segment profit	3.9	5.2

⁽¹⁾ Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section and only includes the segment profit from Shaw Media from the date of acquisition, representing eleven months for the twelve month period ended February 28, 2017 and five months for the year ended August 31, 2016, rather than a full twelve months for both.

CORUS ENTERTAINMENT INC.
Second Quarter 2017 Report to Shareholders

As at February 28, 2017, net debt was \$2,086.1 million, down from \$2,124.7 million at August 31, 2016. Net debt to segment profit at February 28, 2017 was 3.9 times compared to 5.2 times at August 31, 2016. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters; however, does not include segment profit from Shaw Media prior to April 1, 2016. The decrease in net debt reflects eleven months of segment profit of Shaw Media offset by increased debt to finance the Acquisition. Adjusting segment profit to include the Acquisition for the last twelve months would result in a net debt to segment profit of 3.8 times.

IMPACT OF NEW ACCOUNTING POLICIES

The International Accounting Standards Board (“IASB”) continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company’s August 31, 2016 annual consolidated financial statements and note 3 in the Company’s February 28, 2017 interim condensed consolidated financial statements.

Changes in accounting policies

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles

The Company has adopted the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets, effective September 1, 2016. Previously the Company used the individual-film-forecast-computation method to determine amortization of film investments, which is a revenue based amortization model. The Company has segregated its film investments into two categories: current productions and library or acquired productions. Current productions are considered library productions immediately subsequent to their initial availability for licensing as they are considered completed. Film investments are categorized as intangible assets by the Company, and therefore will continue to be presented in the statements of financial position as long-term assets.

Current productions have been amortized using a declining balance method at rates ranging from 50 – 75% at the time of initial episodic delivery and at annual rates ranging from 15 – 25% thereafter. Library and acquired content is amortized using a declining balance method at rates ranging from 10 -20% annually. These amendments have been applied prospectively, resulting in no material impact on the consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, the Chief Executive Officer and the Chief Financial Officer of Corus have limited the scope of their design of the Company’s disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Shaw Media, which was acquired on April 1, 2016. Shaw Media’s contribution to the overall consolidated financial statements of Corus for the three and six months ended February 28, 2017 was approximately 61% and 60%, respectively of consolidated revenues and approximately 70% and 81%, respectively of consolidated net income attributable to shareholders. Additionally, as at February 28, 2017, Shaw Media’s assets and liabilities represented approximately 25% and 63%, respectively, of consolidated results. The design of disclosure controls and procedures and internal control over financial reporting related to Shaw Media will be completed by the third quarter of fiscal 2017.

Further details related to the Acquisition are disclosed in note 27 of the Company’s annual consolidated financial statements for the period ended August 31, 2016.

Consolidated Financial Statements and Notes

CORUS ENTERTAINMENT INC. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited - in thousands of Canadian dollars]	As at February 28, 2017	As at August 31, 2016
ASSETS		
Current		
Cash and cash equivalents	55,777	71,363
Accounts receivable	448,059	379,861
Prepaid expenses and other	23,765	18,835
Total current assets	527,601	470,059
Tax credits receivable	13,570	19,860
Investments and other assets (note 4)	60,212	46,759
Property, plant and equipment	268,415	282,105
Program and film rights (note 5)	690,173	682,268
Film investments (note 6)	50,873	45,164
Intangibles (note 7)	2,060,216	2,076,237
Goodwill	2,387,652	2,390,652
Deferred income tax assets	82,302	80,281
	6,141,014	6,093,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	484,261	393,367
Current portion of long-term debt (note 9)	129,375	115,000
Provisions (note 8)	14,152	21,390
Income taxes payable	14,435	1,982
Total current liabilities	642,223	531,739
Long-term debt (note 9)	2,012,462	2,081,020
Provisions (note 8)	14,146	8,905
Other long-term liabilities	437,647	530,767
Deferred income tax liabilities	483,380	464,607
Total liabilities	3,589,858	3,617,038
SHAREHOLDERS' EQUITY		
Share capital (note 10)	2,228,846	2,168,543
Contributed surplus	10,898	10,444
Retained earnings	141,949	142,499
Accumulated other comprehensive income (loss)	9,960	(3,569)
Total equity attributable to shareholders	2,391,653	2,317,917
Equity attributable to non-controlling interest	159,503	158,430
Total shareholders' equity	2,551,156	2,476,347
	6,141,014	6,093,385

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
[unaudited - in thousands of Canadian dollars, except per share amounts]				
Revenues	368,187	197,705	836,168	426,023
Direct cost of sales, general and administrative expenses (note 11)	265,504	118,126	541,499	250,566
Depreciation and amortization	23,093	10,606	45,553	21,608
Interest expense (note 12)	38,957	18,487	78,677	37,377
Business acquisition, integration and restructuring costs	915	6,014	14,080	8,375
Gain on disposition (note 17)	—	(86,151)	—	(86,151)
Other expense (income), net (note 13)	(3,937)	5,129	2,895	9,054
Income before income taxes	43,655	125,494	153,464	185,194
Income tax expense (note 14)	11,673	22,360	40,779	39,237
Net income for the period	31,982	103,134	112,685	145,957
Net income attributable to:				
Shareholders	24,881	102,232	96,027	143,552
Non-controlling interest	7,101	902	16,658	2,405
	31,982	103,134	112,685	145,957
Earnings per share attributable to shareholders:				
Basic	\$ 0.12	\$ 1.17	\$ 0.48	\$ 1.64
Diluted	\$ 0.12	\$ 1.17	\$ 0.48	\$ 1.63
Net income for the period	31,982	103,134	112,685	145,957
Other comprehensive income, net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	(179)	167	213	466
Unrealized change in fair value of available-for-sale investments	—	(8)	—	(124)
Unrealized change in fair value of cash flow hedges	2,282	105	13,316	319
Actuarial gain on employee post-employment benefits	3,981	—	13,065	—
	6,084	264	26,594	661
Comprehensive income for the period	38,066	103,398	139,279	146,618
Comprehensive income attributable to:				
Shareholders	30,965	102,496	122,621	144,213
Non-controlling interest	7,101	902	16,658	2,405
	38,066	103,398	139,279	146,618

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[unaudited - in thousands of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non- controlling interest	Total equity
At August 31, 2016	2,168,543	10,444	142,499	(3,569)	2,317,917	158,430	2,476,347
Comprehensive income	—	—	96,027	26,594	122,621	16,658	139,279
Dividends declared	—	—	(114,142)	—	(114,142)	(18,585)	(132,727)
Issuance of shares under dividend reinvestment plan	60,303	—	—	—	60,303	—	60,303
Actuarial gain on post-retirement benefit plans	—	—	13,065	(13,065)	—	—	—
Share-based compensation expense	—	454	—	—	454	—	454
Reallocation of equity interest (note 17)	—	—	4,500	—	4,500	3,000	7,500
At February 28, 2017	2,228,846	10,898	141,949	9,960	2,391,653	159,503	2,551,156
At August 31, 2015	994,571	9,471	191,182	7,353	1,202,577	17,334	1,219,911
Comprehensive income	—	—	143,552	661	144,213	2,405	146,618
Dividends declared	—	—	(50,034)	—	(50,034)	(5,149)	(55,183)
Issuance of shares under dividend reinvestment plan	9,741	—	—	—	9,741	—	9,741
Share-based compensation expense	—	456	—	—	456	—	456
At February 29, 2016	1,004,312	9,927	284,700	8,014	1,306,953	14,590	1,321,543

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
[unaudited - in thousands of Canadian dollars]				
OPERATING ACTIVITIES				
Net income for the period	31,982	103,134	112,685	145,957
Adjustments to reconcile net income to cash flow from operations:				
Amortization of program and film rights (note 5)	126,686	43,990	254,411	98,253
Amortization of film investments (note 6)	4,935	4,213	8,962	7,544
Depreciation and amortization (note 7)	23,093	10,606	45,553	21,608
Deferred income taxes	6,650	(13,845)	7,214	(11,907)
Venture fund distribution gain	—	—	—	(533)
Share-based compensation expense	231	189	454	456
Imputed interest (note 12)	12,560	10,780	25,753	21,231
Gain on disposition	—	(86,151)	—	(86,151)
Payment of program and film rights	(119,263)	(67,385)	(243,362)	(112,514)
Net additions to film investments	4,322	(8,854)	(6,428)	(18,681)
CRTC benefit payment	(5,814)	(1,952)	(11,972)	(4,280)
Other	775	3,031	1,342	3,229
Cash flow from operations	86,157	(2,244)	194,612	64,212
Net change in non-cash working capital balances related to operations	15,842	29,062	(70,265)	(763)
Cash provided by operating activities	101,999	26,818	124,347	63,449
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(5,781)	(4,153)	(11,407)	(6,856)
Net proceeds from assets disposed of	—	188,374	—	209,474
Business combination	—	—	—	(2,476)
Proceeds from disposition of non-controlling interest (note 17)	5,250	—	5,250	—
Net cash flows for intangibles, investments and other assets	(1,102)	(4,488)	(4,358)	(5,467)
Cash provided by (used in) investing activities	(1,633)	179,733	(10,515)	194,675
FINANCING ACTIVITIES				
Decrease in bank loans	(29,292)	(168,735)	(57,472)	(188,734)
Financing fees	—	(3,428)	—	(3,428)
Issue of subscription receipts	—	280,346	—	280,346
Dividends paid	(26,824)	(18,818)	(52,884)	(40,116)
Dividends paid to non-controlling interest	(5,230)	(1,000)	(18,585)	(5,149)
Other	(254)	(1,291)	(477)	(2,670)
Cash provided by (used in) financing activities	(61,600)	87,074	(129,418)	40,249
Net change in cash and cash equivalents during the period	38,766	293,625	(15,586)	298,373
Less: cash held in escrow	—	(280,346)	—	(280,346)
Cash and cash equivalents, beginning of the period	17,011	42,170	71,363	37,422
Cash and cash equivalents, end of the period	55,777	55,449	55,777	55,449
Supplemental cash flow disclosures (note 16)				
See accompanying notes				

CORUS ENTERTAINMENT INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the “Company” or “Corus”) is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CJR.B.

The Company’s registered office is at 1500, 850 – 2nd Street SW, Calgary Alberta, T2P 0R8. The Company’s executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These interim condensed consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company’s principal business activities are: the operation of specialty television networks, conventional television stations, and pay television services (ceased operations February 29, 2016); the operation of radio stations; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company’s audited annual consolidated financial statements for the year ended August 31, 2016, except as described in note 3. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended August 31, 2016, which are available at www.sedar.com and on the Company’s website at www.corusent.com.

These interim condensed consolidated statements of the Company for the three and six months ended February 28, 2017 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on April 5, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and certain available-for-sale financial assets, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

Changes in accounting policies

IAS 16 – Property, Plant and Equipment and *IAS 38 – Intangibles*

The Company has adopted the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets, effective September 1, 2016. Previously, the Company used the individual-film-forecast-

CORUS ENTERTAINMENT INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

computation method to determine amortization of film investments, which is a revenue based amortization model. The Company has segregated its film investments into two categories: current productions and library or acquired productions. Current productions are considered library productions immediately subsequent to their initial availability for licensing as they are considered completed. Film investments are categorized as intangible assets by the Company, and therefore, will continue to be presented in the consolidated statements of financial position as long-term assets.

Current productions have been amortized using a declining balance method at rates ranging from 50 – 75% at the time of initial episodic delivery and at annual rates ranging from 15 – 25% thereafter. Library and acquired content is amortized using a declining balance method at rates ranging from 10 – 20% annually. These amendments have been applied prospectively, resulting in no material impact on the consolidated financial statements.

Pending accounting changes

IFRS 9 — *Financial Instruments: Classification and Measurement*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which reflects all phases of the financial instrument project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for recognition and measurement impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which will be September 1, 2018 for Corus, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which replaces IAS 18 — *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, which will be September 1, 2018 for Corus. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 – *Leases*

On January 13, 2016, the IASB published a new standard, IFRS 16 – *Leases*. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on to the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance - August 31, 2016	15,483	31,276	46,759
Increase (decrease) in investment	(1,292)	14,745	13,453
Balance - February 28, 2017	14,191	46,021	60,212

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2016	682,268
Net additions	262,316
Amortization	(254,411)
Balance - February 28, 2017	690,173

6. FILM INVESTMENTS

Balance - August 31, 2016	45,164
Net additions	14,671
Amortization	(8,962)
Balance - February 28, 2017	50,873

7. INTANGIBLES

Intangible assets are comprised of broadcast licenses, software, patents, customer lists, brand names, trade marks and digital rights.

	Broadcast Licenses ⁽¹⁾	Other ⁽²⁾	Total
Balance - August 31, 2016	984,889	1,091,348	2,076,237
Net additions	—	4,485	4,485
Amortization	—	(20,506)	(20,506)
Balance - February 28, 2017	984,889	1,075,327	2,060,216

⁽¹⁾ Broadcast licenses are located in Canada.

⁽²⁾ Other intangibles are comprised of brands, trade marks and software.

8. PROVISIONS

The continuity of provisions is as follows:

	Restructuring	Onerous lease obligation	Asset Retirement obligation	Other	Total
Balance - August 31, 2016	21,695	—	8,015	585	30,295
Additions	5,644	8,436	196	—	14,276
Payments	(14,090)	(2,183)	—	—	(16,273)
Balance - February 28, 2017	13,249	6,253	8,211	585	28,298
Current	9,814	3,753	—	585	14,152
Long-term	3,435	2,500	8,211	—	14,146
Balance - February 28, 2017	13,249	6,253	8,211	585	28,298

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

9. LONG-TERM DEBT

	February 28, 2017	August 31, 2016
Bank loans	2,160,677	2,218,055
Unamortized financing fees	(18,840)	(22,035)
	2,141,837	2,196,020
Less: current portion of bank loans	(129,375)	(115,000)
	2,012,462	2,081,020

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 28, 2017, the weighted average interest rate on the outstanding bank loans and Notes was 4.7% (2016 – 4.1%). Interest on the bank loans and Notes averaged 4.7% for both the second quarter of fiscal 2017 and the year-to-date (2016 – 4.3%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit agreement dated April 1, 2016 (the "Facility"). Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at February 28, 2017.

Credit Facilities

A syndicate of lenders has provided Corus with a senior secured revolving facility (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Facility.

In connection with the closing of the Acquisition of Shaw Media (the "Acquisition"), Corus established syndicated senior secured credit facilities in the aggregate amount of \$2.6 billion consisting of \$2.3 billion in term loans (the "Term Facility"), all of which was fully drawn at closing, and a \$300.0 million revolving facility (the "Revolving Facility"), which was not drawn on as part of closing. The Term Facility and Revolving Facility replace Corus' previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the initial amount of \$766.7 million and having a maturity of April 1, 2019, and the second tranche being in the initial amount of \$1,533.3 million and having a maturity of April 1, 2021. The Term Facility was available in a single Canadian dollar drawdown, and net proceeds from the Term Facility after deducting related fees and expenses were used (together with the net proceeds from the public equity offering and the concurrent private placement) to finance the Acquisition, to prepay the amount outstanding under its existing credit facilities and to redeem the senior unsecured guaranteed notes ("Notes").

Advances under the Term Facility may be outstanding in the form of either prime loans or bankers' acceptances and bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio.

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2017

(in thousands of Canadian dollars, except per share information)

mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Facility

The \$300.0 million Revolving Facility matures on April 1, 2020. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of \$50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility.

Swap agreements

On May 31, 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on \$457.0 million and \$1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The estimated fair value of these agreements as at February 28, 2017 is \$3.7 million, which has been recorded in the interim condensed consolidated statements of financial position as an asset. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

On February 3, 2014, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on the \$150.0 million Term Facility at 1.375%, plus an applicable margin, to February 3, 2016. This hedge was wound up on February 3, 2016.

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

On April 18, 2016, the Company redeemed all of its outstanding \$550.0 million 4.25% senior unsecured guaranteed notes due 2020 (the "2020 Notes"). This redemption included accrued and unpaid interest on the 2020 Notes up to, but excluding the redemption premium of \$52.6 million as well as the write-off of unamortized financing charges of \$4.8 million.

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****February 28, 2017**

(in thousands of Canadian dollars, except per share information)

10. SHARE CAPITAL**Authorized**

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

Issued and outstanding

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	\$	#	\$	\$
Balance - August 31, 2016	3,425,792	26,529	192,997,999	2,142,014	2,168,543
Issuance of shares under dividend reinvestment plan	—	—	5,041,425	60,303	60,303
Balance - February 28, 2017	3,425,792	26,529	198,039,424	2,202,317	2,228,846

Class B share subscription receipts

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the "Equity Offering") of 25.40 million subscription receipts of Corus (the "Subscription Receipts") at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3.81 million Subscription Receipts at a price of \$9.00 per Subscription Receipt, for additional gross proceeds of approximately \$34.3 million, representing total gross proceeds from the Equity Offering of \$262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3.56 million Subscription Receipts on a private placement basis (the "Concurrent Private Placement") from Corus at a price of \$9.00 per Subscription Receipt, for gross proceeds of \$32.0 million. Issuance costs, net of tax of \$8.9 million and a subscription receipt adjustment payment of \$6.2 million were incurred, resulting in net proceeds of \$279.8 million.

The Class B Non-Voting Shares underlying the Subscription Receipts were issued on April 1, 2016 in connection with the completion of the Acquisition and the net proceeds from the Equity Offering and the Concurrent Private Placement (including accrued interest thereon) were applied by Corus to partially fund the cash consideration for the Acquisition.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

Earnings per share

The following is a reconciliation of the numerator and denominator (in thousands) used for the computation of the basic and diluted earnings per share amounts:

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Net income attributable to shareholders (numerator)	24,881	102,232	96,027	143,552
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	199,849	87,688	198,572	87,784
Effect of dilutive securities	306	—	171	117
Weighted average number of shares outstanding - diluted	200,155	87,688	198,743	87,901

The calculation of diluted earnings per share for both the second quarter and year-to-date of fiscal 2017 excluded 2,493 and 2,637, respectively (2016 – 3,710 and 2,561, respectively) weighted average Class B Non-Voting Shares issuable under the Company’s Stock Option Plan because these options were not “in-the-money”.

Share-based compensation

The following table provides additional information on the employee stock options, Performance Share Units (“PSUs”), Deferred Share Units (“DSUs”), and Restricted Share Units (“RSUs”) as at:

	February 28, 2017	August 31, 2016
Outstanding employee stock options	5,366,873	3,753,873
Exercisable employee stock options	2,342,698	1,637,123
Outstanding PSUs	1,193,685	1,025,934
Outstanding DSUs	1,068,447	1,002,367
Outstanding RSUs	408,928	237,483

Share-based compensation expense recorded for the second quarter and the year-to-date of fiscal 2017 in respect of these plans was \$1,961 and \$3,473 (2016 – \$1,020 and \$790). As at February 28, 2017, the carrying value of the liability for PSU, DSU and RSU units at the end of the quarter was \$16,277 (August 31, 2016 – \$15,984).

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Direct cost of sales				
Amortization of program and film rights ⁽¹⁾	126,686	43,990	254,411	98,253
Amortization of film investments	4,935	4,213	8,962	7,544
Other cost of sales	4,167	2,515	10,752	8,240
General and administrative expenses				
Employee costs	79,074	39,597	158,333	76,830
Other general and administrative	50,642	27,811	109,041	59,699
	265,504	118,126	541,499	250,566

⁽¹⁾ Certain of Corus' Pay Television business ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015. The Pay TV operating results remained in operations, however, amortization of program rights ceased on that date and as a consequence, amortization is lower for the three and six months ended February 29, 2016 by \$14.2 million and \$15.6 million, respectively.

12. INTEREST EXPENSE

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Interest on long-term debt	25,879	7,195	51,879	15,181
Imputed interest on long-term liabilities	12,560	10,780	25,753	21,231
Other	518	512	1,045	965
	38,957	18,487	78,677	37,377

13. OTHER (INCOME) EXPENSE, NET

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Interest income	(751)	(88)	(751)	(103)
Foreign exchange loss (gain)	(3,160)	915	3,216	4,202
Equity loss of investees	735	3,250	1,243	3,632
Film investment impairment recovery	—	(346)	—	(754)
Venture fund distribution	—	—	—	(533)
Other	(761)	1,398	(813)	2,610
	(3,937)	5,129	2,895	9,054

During the first quarter of 2016, the Company received cash proceeds of \$1,684 relating to the disposal of an investment, of which \$1,151 relates to a return on capital, resulting in a gain of \$533.

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****February 28, 2017**

(in thousands of Canadian dollars, except per share information)

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for the year-to-date of fiscal 2017 and 2016 is as follows:

	Six months ended		Six months ended	
	February 28, 2017		February 29, 2016	
	\$	%	\$	%
Income tax at combined federal and provincial rates	40,673	26.5%	49,113	26.5%
Income subject to tax at less than statutory rates	139	0.1%	(62)	0.0%
Non-taxable portion of capital gains	—	—%	(27,841)	(15.0%)
Goodwill impairment	—	—%	14,427	7.8%
Transaction costs	(183)	(0.1%)	1,992	1.1%
Increase of various tax reserves	42	0.0%	412	0.2%
Miscellaneous differences	108	0.1%	1,196	0.6%
	40,779	26.6%	39,237	21.2%

15. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two segments: Television and Radio.

Television

The Television segment is comprised of 45 specialty television networks, pay television services (ceased operations February 29, 2016), 15 conventional television stations, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, children's book publishing, animation software, and technology and media services. Revenues are generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, publishing, animation software, and technology and media service sales.

Radio

The Radio segment comprises 39 radio stations, situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation and amortization; interest expense; debt refinancing costs; business acquisition, integration and restructuring costs; impairments; and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

Revenues and segment profit

Three months ended February 28, 2017

	Television	Radio	Corporate	Consolidated
Revenues	335,896	32,291	—	368,187
Direct cost of sales, general and administrative expenses	234,497	25,950	5,057	265,504
Segment profit (loss)	101,399	6,341	(5,057)	102,683
Depreciation and amortization				23,093
Interest expense				38,957
Business acquisition, integration and restructuring costs				915
Other income, net				(3,937)
Income before income taxes				43,655

Three months ended February 29, 2016

	Television	Radio	Corporate	Consolidated
Revenues	163,432	34,273	—	197,705
Direct cost of sales, general and administrative expenses	82,027	29,091	7,008	118,126
Segment profit (loss)	81,405	5,182	(7,008)	79,579
Depreciation and amortization				10,606
Interest expense				18,487
Business acquisition, integration and restructuring costs				6,014
Gain on disposition				(86,151)
Other expense, net				5,129
Income before income taxes				125,494

Six months ended February 28, 2017

	Television	Radio	Corporate	Consolidated
Revenues	761,460	74,708	—	836,168
Direct cost of sales, general and administrative expenses	475,640	55,081	10,778	541,499
Segment profit (loss)	285,820	19,627	(10,778)	294,669
Depreciation and amortization				45,553
Interest expense				78,677
Business acquisition, integration and restructuring costs				14,080
Other expense, net				2,895
Income before income taxes				153,464

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

Six months ended February 29, 2016

	Television	Radio	Corporate	Consolidated
Revenues	347,150	78,873	—	426,023
Direct cost of sales, general and administrative expenses	177,710	60,888	11,968	250,566
Segment profit (loss)	169,440	17,985	(11,968)	175,457
Depreciation and amortization				21,608
Interest expense				37,377
Business acquisition, integration and restructuring costs				8,375
Gain on disposition				(86,151)
Other expense, net				9,054
Income before income taxes				185,194

The following tables present further details on the operating segments within the Television and Radio segments:

Revenues are derived from the following areas:

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Advertising	225,947	77,743	549,351	196,673
Subscriber fees	125,553	89,646	252,017	176,600
Merchandising, distribution and other	16,687	30,316	34,800	52,750
	368,187	197,705	836,168	426,023

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Interest paid	26,904	13,626	53,469	16,277
Interest received	713	88	751	103
Income taxes paid	651	10,258	20,920	10,550

CORUS ENTERTAINMENT INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

February 28, 2017

(in thousands of Canadian dollars, except per share information)

17. BUSINESS COMBINATIONS AND DIVESTITURES

Disposition of 19.8% interest in the Cooking Channel

On December 12, 2016, the Company sold 19.8% interest in 7202377 Canada Inc. (the "Cooking Channel"), a subsidiary, to Scripps Network LLC for \$7,500, the fair value at that date of this sale. Cash proceeds of \$5,250 were received upon closing. Control of this subsidiary did not change, therefore a business combination has not occurred. As such, the Company continues to consolidate the Cooking Channel, but the transaction does give rise to a non-controlling interest in the Cooking Channel. In accordance with IFRS 10 – *Consolidated Financial Statements*, an adjustment has been made to the carrying amounts of the non-controlling interests in these interim condensed consolidated financial statements related to the reallocation of equity interest to reflect the underlying carrying value of the net assets of the Cooking Channel.

Acquisition of Shaw Media Inc.

On April 1, 2016, the Company acquired the shares of Shaw Media Inc. from Shaw Communications Inc. The acquisition was a business combination between entities under common control and was accounted for by the Company using the acquisition method. Final valuations of certain items are now complete, therefore, the purchase price allocation has been finalized as at February 28, 2017.

Disposition of Certain Pay Television Assets ("Pay TV")

On November 19, 2015, the Company entered into an agreement with BCE Inc. ("Bell") to discontinue operations of its Pay TV business (Movie Central, Encore and HBO Canada) and facilitate certain contractual and other arrangements, and take certain other actions, that are necessary or desirable in connection with Bell's intent to expand the Bell premium pay television services so that they are available on a national basis.

On November 19, 2015, the Company determined that the carrying value of certain programming assets, broadcast licenses, and goodwill, along with some directly associated program rights liabilities formed a disposal group, whose value would not be recovered principally through continuing use. Accordingly, at that date the disposal group was presented separately in the statement of financial position as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, measured at the lower of carrying value and fair value less costs to sell, and amortization of intangible assets ceased. As a result, amortization in the Television segment for the three and six months ended February 29, 2016 is lower by approximately \$14,185 and \$15,585, respectively, than it would have been had these assets continued to be amortized.

The results of the operations of the Company's Pay TV business were included in the Television segment until February 29, 2016, as Bell launched its national service on March 1, 2016. A gain of \$86,151 was recorded which resulted from cash proceeds of \$211,000 less the carrying value of the disposal group.

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 interim condensed consolidated financial statements.

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