corus.

Second Quarter 2019 Report to Shareholders

For the Six Months Ended February 28, 2019
(Unaudited)

Table of Contents

FINANCIAL HIGHLIGHTS

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

(in thousands of Canadian dollars except per share amounts)	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Revenues				
Television	**353,466**	336,222	**779,656**	751,686
Radio	**30,649**	33,243	**71,930**	75,167
	384,115	369,465	**851,586**	826,853
Segment profit [1]				
Television	**113,709**	103,646	**298,262**	272,248
Radio	**4,955**	6,883	**17,967**	20,404
Corporate	**(5,516)**	2,230	**(11,443)**	(2,006)
	113,148	112,759	**304,786**	290,646
Net income attributable to shareholders [2]	**6,344**	40,042	**66,759**	117,715
Adjusted net income attributable to shareholders [1][2]	**15,733**	41,880	**85,844**	120,765
Basic earnings per share [2]	**$0.03**	$0.19	**$0.31**	$0.57
Adjusted basic earnings per share [1][2]	**$0.07**	$0.20	**$0.40**	$0.58
Diluted earnings per share [2]	**$0.03**	$0.19	**$0.31**	$0.57
Free cash flow [1]	**83,909**	82,073	**126,315**	165,288

[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, explanations and reconciliations see discussion under the Key Performance Indicators section of this report.

[2] Net income attributable to shareholders as well as basic and diluted earnings per share for the three and six months ended February 28, 2019 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the three and six months ended February 28, 2019, this has resulted in an additional $34.9 million and $69.8 million, respectively, in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders, net of income taxes, by $25.7 million ($0.12 per share basic) and $51.3 million ($0.24 per share basic), respectively. Further discussion of this can be found in the Impact of New Accounting Policies and Changes in Estimates section of this report.

HIGHLIGHTS IN THE QUARTER

- On December 4, 2018, the Company's W Network announced that it had achieved the top spot among Canadian specialty channels across key demographics, supported by "*Hallmark Channel's Countdown to Christmas*", and was the #1 most watched channel in Canada on weekends, surpassing all conventional and specialty networks, including sports networks.[1]
- On December 7, 2018, the Company's Global Television launched its Global Go app on the Amazon Fire TV platform. Global Go enables viewers to now live stream (once authenticated) the network's full slate of original and acquired series, view full length episodes, clips and exclusives, as well as catch up and binge on their favourite shows on demand on both Fire TV Sticks and Fire TVs.
- On December 28, 2018, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.
- On January 18, 2019, the Company, for the ninth year in a row, was named one of Canada's Top Employers for Young People in 2019 by Mediacorp Canada Inc. and The Globe and Mail. The competition recognizes employers offering the nation's best workplaces and programs for young people starting their careers.
- On January 19, 2019, the Company announced the voting results from its Annual and Special Meeting of Shareholders (the "Meeting") held in Calgary, Alberta on January 16, 2019. All matters put forth at the Meeting, including the appointment of auditors and authorization of the directors to fix the remuneration of such auditors, the fixing of the number of directors at 11, the election of directors, the ratification of the adoption of a special resolution approving the reduction in the stated capital of the Class A and Class B Shares of the Company, and the ratification and approval of the Company's By-Law No. 1 were approved by a large majority of the voting shareholders as detailed in the Company's filing on www.sedar.com.
- On January 28, 2019, the Company's Global Television announced the expansion of its national morning program *The Morning Show,* extending its runtime from 30 minutes to one hour. Airing across the country at 9 a.m. Eastern Time, the show's revamped format will capture the energy, style and identity that unites Canadians coast-to-coast.
- On January 31, 2019, the Company's Nelvana subsidiary announced multiple new international content sales for original animated series *Esme & Roy* to buyers in Germany, Southeast Asia (covering 15 territories including Malaysia, Singapore, Indonesia, Philippines, Thailand, and Hong Kong), Norway, Sweden, Finland, Poland, Israel, the Middle East and North Africa.
- On February 7, 2019, the Company's Nelvana subsidiary announced that an all new 2D/3D hybrid animated series *GEKI DRIVE* is in development as part of Nelvana and Sumitomo Corporation's multi-year production partnership. The series is based on the hyper-fast customizable toy cars produced by *BANDAI SPIRITS* for the Japanese market.
- On February 11, 2019, the Company's Nelvana subsidiary and Discovery Inc., launched their previously announced kids production joint venture, redknot, greenlighting two new preschool series *The Dog & Pony Show* and *Agent Binky: Pets of the Universe*.
- On February 21, 2019, the Company announced enhancements to its Executive Leadership Team and business operating structure, designed to accelerate advancement of its strategic priorities and strengthen its position as Canada's largest pure play media and content company. The changes included the promotion of Troy Reeb to Executive Vice President Broadcast Networks, Colin Bohm was named Executive Vice President Content and Corporate Strategy, and Greg McLelland, Executive Vice President and Chief Revenue Officer, expanded his role to include marketing and Corus' Social Digital Agency (so.da).
- On February 25, 2019, Accenture published a Canadian Media Attribution Study entitled *The Moneyball Moment for Marketing in Canada*. The study assessed $3 Billion in annual media spend, TV viewership and point of sale data from 105 brands over more than a four year period and can be accessed at https://thinktv.ca/research/canadian-media-attribution-study/. Key insights were: (1) Canadian companies can justify an increase in their overall media spend; (2) Major brands are underinvesting in TV in Canada; (3) TV has a material halo effect on digital media; (4) TV provides the strongest upside on the next dollar spent; and (5) The untapped value of long form digital video content in Canada.

(1) Numeris Portable People Meter Data, Total Canada, Monday-Sunday 2a-2a, October 29 to November 25, 2018, confirmed to November 18, 2019 vs. October 30-November 26, 2017, Average Minute Audience (in '000s), Adults 25-54, Adults 18-49, Adults 18-34, Women 25-54, Women 18-49 and 2+ airings unless otherwise noted, Canadian Commercial English Specialty and Digital \\ Weekend=Saturday-Sunday 2a-2a four-weekend average \\ program ranker based on Canadian Commercial English Specialty and Digital, Monday-Sunday 2a-2a, excludes sports.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On March 1, 2019, the Company, for the ninth year, was named one of Canada's Best Diversity Employers for 2019 by MediaCorp Canada Inc. This award recognizes Corus for its exceptional workplace diversity and inclusiveness programs.
- On March 4, 2019, the Company announced the launch of the world's first ever 24-hour Adult Swim channel in Canada, beginning on April 1, 2019, replacing ACTION within Corus' television portfolio. The new channel features iconic Adult Swim series *Rick and Morty, Robot Chicken, Tim & Eric's Bedtime Stories* and *The Eric Andre Show,* plus popular acquisitions *Family Guy, Bob's Burgers* and *American Dad*.
- On March 22, 2019, the Company entered into an agreement with the minority owners of TLN Media Group Inc. ("TLN") to sell Corus' 50.1% interest in TLN and facilitate certain contractual and other arrangements for $19.0 million.
- On March 26, 2019, the Company's Radio subsidiary launched Energy 95.3 in the Greater Toronto and Hamilton Area, as the home of *Today's Best Music*.
- On March 26, 2019, the Company announced that its programming, original productions and content received a total of 9 Canadian Screen Awards (CSA), including Best Lifestyle Program or Series for HGTV Canada's *Property Brothers*; Best Direction, Lifestyle or Information for Food Network Canada's *Carnival Eats*; and Best News Anchor for *Global National's* Donna Friesen.
- On March 29, 2019, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.
- On April 2, 2019, the Company's Corus Studios subsidiary announced the introduction of three new greenlit renovation/real estate series available for sale at MIPTV including *Vacation House Rules* (10x60), *Make Your Move* (working title) (10x60) and *Farmhouse Facelift* (working title) (10x60). The company continues to grow its slate of distinct original series developed for its portfolio of Lifestyle channels and for sale in the international market.
- On April 4, 2019, the Company's Corus Studios subsidiary announced new international sales for its original lifestyle content. Sales highlights include: *STITCHED* sold to Fashion.il in Israel; *Backyard Builds* sold to Poland's Domo+ for Season 1 and 2; *Masters of Flip* sold to Australia's Nine Network who picked up seasons 1 and 4; *Save My Reno* sold to Domo+ in Poland for Season 1 and 2; and *Worst to First* sold to South Africa's Home Channel for Season 1 and 2 and Australia's Nine Network for Season 2.

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, 2019 is prepared at April 4, 2019. 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, 2018 Annual Report and the interim condensed 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 interim condensed 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 INFORMATION

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 information"). 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, 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 may be considered forward-looking information. Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation: factors and assumptions regarding the general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating and capital costs and tariffs, taxes and fees, our ability to source desirable content and our capital and operating results being consistent with our expectations. Actual results may differ materially from those expressed or implied in such information. 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 cable 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 or regulations 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 of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2018 and this document and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information 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 2018, we refer you to the Company's Annual Report for the year ended August 31, 2018, filed on SEDAR on December 10, 2018.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the second quarter of fiscal 2019 of $384.1 million increased 4% compared to $369.5 million in the prior year. On a consolidated basis, advertising revenues increased 8%, while merchandising, distribution and other revenues and subscriber revenues decreased 13% and 1%, respectively, from the prior year. In the second quarter, revenues increased 5% in Television and decreased in Radio by 8%, compared to the prior year.

For the six months ended February 28, 2019, consolidated revenues of $851.6 million increased 3% from $826.9 million in the prior year. On a consolidated basis, advertising revenues increased 5% while merchandising, distribution and other revenues decreased by 5%, and subscriber revenues remained consistent with the prior year. For the six months, revenue increased by 4% in Television and decreased 4% in Radio compared to the prior year. Further analysis of revenues is provided in the discussion 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 2019 of $271.0 million increased 6% from $256.7 million in the prior year. On a consolidated basis, employee costs increased 11%, direct cost of sales for the quarter were up 3%, and other general and administrative expenses increased 4% from the prior year. The increase in employee costs was primarily due to an increase in share-based compensation expense and short-term incentive accruals. The prior year share-based compensation expense included a recovery of approximately $6.2 million resulting from a significant decline in the share price. The increase in share-based compensation expense in the current year quarter has been partially offset by $2.0 million as a result of a total return swap entered into on November 28, 2018. Further discussion of the total return swap can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*. The increase in direct cost of sales arises from an increase in programming cost amortization and other cost of sales, offset by decreases in amortization of film investments. General and administrative expenses were higher, principally related to Directors fees for those Directors that have elected to receive their remuneration in deferred share units, which are revalued at the Company's closing share price at the end of each period, as well as additional legal and consulting fees related to Corporate matters.

For the six months ended February 28, 2019, direct cost of sales, general and administrative expenses of $546.8 million increased 2% from $536.2 million in the prior year. On a consolidated basis, employee costs increased 5%, direct cost of sales increased 1% from the prior year while other general and administrative expenses remained consistent with the prior year.

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

SEGMENT PROFIT

Consolidated segment profit for the second quarter of fiscal 2019 was $113.1 million, which was consistent with $112.8 million in the prior year. Segment profit margin for the second quarter of fiscal 2019 was 29%, down from 31% in the prior year.

For the six months ended February 28, 2019, consolidated segment profit was $304.8 million, which was up from $290.6 million in the prior year. Segment profit margin of 36% for the six months ended February 28, 2019 was up from 35% in the prior year.

Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and six months ended February 28, 2019 was $54.8 million and $109.1 million, respectively, an increase from $20.8 million and $41.6 million in the comparable periods in the prior year. The year-over-year increases for the three and six months of $34.0 million and $67.5 million, respectively, principally arise from the change in estimated useful lives of certain TV brand assets from indefinite life intangible assets to finite life intangible assets, effective September 1, 2018. As a result, amortization increased for the three and six months by approximately $34.9 million and $69.8 million, respectively, from the prior year, offset by decreases in depreciation on property, plant and equipment which reflects the reduced capital spending in fiscal 2018. Further discussion of the change in estimates of certain TV brand assets can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of this report.

INTEREST EXPENSE

Interest expense for the three months ended February 28, 2019 was $31.8 million, which was relatively consistent with the prior year.

Interest expense for the six months ended February 28, 2019 was $63.2 million, down slightly from $63.8 million in the prior year. The decrease results from $2.1 million of amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, lower imputed interest of $1.2 million on long-term liabilities associated with program rights, trade marks and deferred financing fees, offset by higher interest on bank debt of $1.8 million, and higher interest costs of $0.8 million related to the timing of income tax payments. Interest on bank debt is higher as a result of the termination of interest rate swaps and the initiation of new interest rate swaps at higher fixed rates on November 28, 2017 and higher floating rates on unhedged bank debt, offset by lower debt levels.

The effective interest rate on bank loans for both the three and six months ended February 28, 2019 was 4.6%, compared to 4.5% and 4.1% in the same comparable periods in the prior year. The increase in the effective rate for the second quarter and year-to-date was attributable to higher fixed interest rates on interest rate swaps as noted above.

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the three and six months ended February 28, 2019, the Company incurred $4.0 million and $17.2 million, respectively, of business acquisition, integration and restructuring costs, compared to $2.5 million and $4.1 million in the comparable periods in the prior year. The current fiscal year costs relate to restructuring costs associated with employee exits, as well as onerous lease provision costs of $5.4 million for office space vacated in Vancouver, additional asset retirement obligations of $3.0 million for the former Shaw Media headquarters in Toronto, costs associated with the rebranding of the Action channel to the Adult Swim channel, and costs to decommission certain transmitter sites. The prior year costs were attributable to restructuring costs associated with employee exits as well as costs associated with the shutdown of the Sundance channel. These charges are excluded from the determination of segment profit.

OTHER EXPENSE (INCOME), NET

Other expense for the three month period ended February 28, 2019 was $6.5 million, compared to income of $3.5 million in the prior year. The decrease in the quarter reflects an impairment charge related to an investment in associates of $8.7 million, lower net foreign exchange gains of $2.4 million, offset by increases of miscellaneous other income of $0.7 million. The prior year period includes a net foreign exchange gain of $4.0 million and equity losses from associates of $0.5 million.

Other expense for the six months ended February 28, 2019 was $7.8 million compared to $4.1 million in the prior year. In the current year, other expense includes an impairment charge related to an investment in an associate of $8.7 million, equity losses from associates of $0.8 million, and a net foreign exchange loss of $0.1 million, offset by income of $1.3 million from insurance proceeds. The prior year includes a foreign exchange loss of $2.9 million and equity losses from associates of $0.8 million. On a year-to-date basis the forward foreign exchange contracts resulted in an unrealized foreign exchange gain of $0.9 million, which offset foreign exchange losses recorded related to period end revaluations of USD denominated long-term liabilities.

INCOME TAX EXPENSE

The Company's effective income tax rates for the three and six months ended February 28, 2019 were 26.4% and 27.0%, respectively, consistent with the Company's 26.5% statutory income tax rate. The effective income tax rate for the three and six months ended February 28, 2018 were 25.3% and 26.2%, respectively, lower than the Company's statutory income tax rate due to adjustments related to the conclusion of various tax audits.

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

Net income attributable to shareholders for the second quarter of fiscal 2019 was $6.3 million ($0.03 per share basic), as compared to $40.0 million ($0.19 per share basic) in the prior year. Net income attributable to shareholders for the second quarter of fiscal 2019 includes business acquisition, integration and restructuring costs of $4.0 million ($0.01 per share) and an impairment on an investment in associates of $8.7 million ($0.03 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $15.7 million ($0.07 per share basic) in the quarter. Net income attributable to shareholders for the second quarter of fiscal 2018 includes business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $41.9 million ($0.20 per share basic) in the prior year quarter.

Net income attributable to shareholders for the six months ended February 28, 2019 was $66.8 million ($0.31 per share basic), as compared to $117.7 million ($0.57 per share basic) in the prior year. Net income attributable to shareholders for the first six months of fiscal 2019 includes business acquisition, integration and restructuring costs of $17.2 million ($0.06 per share) and an impairment on an investment in associates of $8.7 million ($0.03

per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $85.8 million ($0.40 per share basic) for the current fiscal year. Net income attributable to shareholders for the six months ended February 28, 2018 includes business acquisition, integration and restructuring costs of $4.1 million ($0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $120.8 million ($0.58 per share basic) for the prior fiscal year.

The weighted average number of basic shares outstanding for both the three and six months ended February 28, 2019 was 211,997,000, compared to 207,356,000 and 206,941,000, respectively, in the prior year for the comparable periods. The number of shares outstanding increased from the issuance of shares from treasury in the prior year under the Company's dividend reinvestment plan.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive loss for the three months ended February 28, 2019 was $17.9 million, compared to income of $16.0 million in the prior year. For the three months ended February 28, 2019, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $14.4 million, an actuarial loss on the remeasurement of post-employment benefit plans of $3.5 million, an unrealized loss from foreign currency translation adjustments of $0.2 million, offset by an unrealized gain from the change in fair value of financial assets of $0.1 million. In the prior year, other comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $14.1 million and an actuarial gain on the remeasurement of post-employment benefit plans of $1.9 million.

Other comprehensive loss for the six months ended February 28, 2019 was $15.7 million, compared to income of $13.3 million in the prior year. For the six months ended February 28, 2019, other comprehensive income includes an unrealized loss on the fair value of cash flow hedges of $14.7 million, an actuarial loss on the remeasurement of post-employment benefit plans of $1.2 million, offset by an unrealized gain from foreign currency translation adjustments of $0.1 million and an unrealized gain on the fair value of financial assets $0.1 million. The prior year other comprehensive income includes an unrealized gain associated on the fair value of cash flow hedges of $13.7 million, an unrealized gain from foreign currency translation adjustments of $0.4 million, offset by an actuarial loss on the remeasurement of post-employment benefit plans of $0.9 million.

TELEVISION

The Television segment is comprised of 37 specialty television services (44 services prior to March 22, 2019; 45 services prior to February 28, 2018), 15 conventional television stations and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software and technology and media services.

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,		**February 28,**	
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Revenues				
Advertising	**211,271**	190,157	**493,315**	462,407
Subscriber fees	**125,639**	127,008	**252,323**	253,263
Merchandising, distribution and other	**16,556**	19,057	**34,018**	36,016
Total revenues	**353,466**	336,222	**779,656**	751,686
Expenses	**239,757**	232,576	**481,394**	479,438
Segment profit (1)	**113,709**	103,646	**298,262**	272,248
Segment profit margin(1)	**32%**	31%	**38%**	36%

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

Revenues in the second quarter of fiscal 2019 increased 5% from the prior year as a result of an 11% increase in advertising revenues, offset by a 13% decrease in merchandising, distribution and other revenues and a 1% decrease in subscriber revenues. The increase in advertising revenues was largely driven by improved pricing flexibility, on both Global and certain specialty channels, traction in ad tech, growth in digital advertising, and a new revenue focus on direct to consumer businesses. The prior year was also negatively impacted by the 2018 Winter Olympics, which was broadcast on competitor networks. The decrease in merchandising, distribution and other revenues reflects lower owned-content back-end participation payments and publishing revenues than in the prior year, offset by higher software and production and distribution revenues from increased deliveries of episodes. The decrease in subscriber revenues was due to packaging changes on certain networks and the shutdown of the Sundance Channel in the prior year.

Revenues for the six months ended February 28, 2019 increased 4% as a result of a 7% increase in advertising revenues, offset by a decrease in merchandising, distribution and other revenues of 6%, while subscriber revenues remained flat. As noted above, the increase in advertising revenues was driven by improved pricing flexibility, while merchandising, distribution and other revenues decreased as a result of lower royalties and publishing revenues.

Expenses in the second quarter of fiscal 2019 increased by 3%. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were up 3% compared to the prior year. Amortization of program rights increased by 1%, while general and administrative expenses increased 3% from the prior year, primarily reflecting increased accruals related to short-term compensation incentives and pension costs.

Total expenses for the six months ended February 28, 2019 were consistent with the prior year as a result of general and administrative expenses remaining flat to the prior year, offset by a 1% increase in direct cost of sales. The increase in direct cost of sales is principally driven by increased costs associated with certain sales initiatives, offset by lower amortization of program rights.

Segment profit(1) increased 10% in both the second quarter of fiscal 2019 and the year-to-date, principally as a result of increases in advertising revenues exceeding increases in expenses. Segment profit margin(1) for the quarter and year-to-date was 32% and 38%, respectively, compared to 31% and 36%, for the comparable periods in the prior year.

For the Spring 2019 season-to-date, Global has had a solid start with eight programs in the Top 20 for Adults 25-54 and Women 25-54, with *New Amsterdam* and *Chicago Med* ranking in the Top 10, and *New Amsterdam* continuing to be the #1 new drama for both demos. In Q2, Corus owns 12 of the Top 20 Canadian Entertainment Specialty Channels for Adults 25-54, and 14 of Corus' specialty programs are in the Top 20 for Adults 25-54 and 13 are in the Top 20 for Women 25-54. The top five kids networks for children 2-11 this quarter are Corus networks(2).

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

(2) Based on Numeris TV Meter, Total Canada, English Specialty Station and Program rankers based on Q2 weeks 14-26 each year; English Canadian Commercial Specialty Station Rankers excluding sports stations; Kids network ranker based on Kids Specialty stations only; English Canadian Commercial Specialty Stations Program rankers based on 3+ airings, excludes sports; English National Conventional Program Rankers based on Conventional Spring 2019 season-to-date (Dec 31, 2018, - Feb 24, 2019), 3+ airings, versus Spring 2018 season-to-date (Jan 1, 2018 - Feb25, 2018), 3+ airings, excludes NFL Playoffs.

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 February 28,		Six months ended February 28,	
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Revenues	**30,649**	33,243	**71,930**	75,167
Expenses	**25,694**	26,360	**53,963**	54,763
Segment profit(1)	**4,955**	6,883	**17,967**	20,404
Segment profit margin(1)	**16%**	21%	**25%**	27%

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

Revenues decreased 8% in the second quarter of fiscal 2019 and 4% year-to-date. The decline in advertising revenues in the quarter and year-to-date was driven primarily by significantly lower demand from the automotive category and to a lesser extent, declines in the retail and media services categories, which was partially offset by improvements in the entertainment category. The decline in advertising revenues is also attributable to the ongoing economic pressures in Alberta and ratings challenges in certain Ontario markets.

Direct cost of sales, general and administrative expenses were down 3% in the second quarter of fiscal 2019 and 1% year-to-date, reflecting a continued focus on cost containment and synergies with Global News.

Radio's segment profit[1] was down $1.9 million or 28% in the second quarter of fiscal 2019 and $2.4 million or 12% year-to-date. Segment profit margin[1] for the quarter and year-to-date was 16% and 25%, respectively, compared to 21% and 27% in the prior year.

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

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

	Three months ended February 28,		Six months ended February 28,	
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Share-based compensation	**640**	(6,156)	**2,712**	(5,105)
Other general and administrative costs	**4,876**	3,926	**8,731**	7,111
	5,516	(2,230)	**11,443**	2,006

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 in the second quarter and six months ended February 28, 2019 is due to the improvement in share price from August 31, 2018, partially offset by the change in the fair value of the total return swap (refer to *Liquidity and Capital Resources* section of this report for further details on this swap arrangement). The prior year included a recovery of approximately $6.2 million resulting from a significant decline in the share price.

Other general and administrative costs in the second quarter and year-to-date of fiscal 2019 were higher compared to the prior year, principally related to Directors fees for those Directors that have elected to receive their remuneration in DSUs, which are revalued at the Company's closing share price at the end of each period, as well as additional legal and consulting fees related to Corporate matters.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2018, 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, 2019. 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, 2018, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

	Revenues	Segment profit [1]	Net income (loss) attributable to shareholders [1]	Adjusted net income attributable to shareholders [1]	Earnings (loss) per share Basic	Diluted	Adjusted basic
2019							
2nd quarter	**384,115**	**113,148**	**6,344**	**15,733**	**$ 0.03**	**$ 0.03**	**$ 0.07**
1st quarter	467,471	191,638	60,415	70,111	$ 0.28	$ 0.28	$ 0.33
2018							
4th quarter	379,084	114,561	33,675	39,534	$ 0.16	$ 0.16	$ 0.19
3rd quarter	441,410	170,421	(935,899)	78,112	$ (4.49)	$ (4.49)	$ 0.37
2nd quarter	369,465	112,759	40,042	41,880	$ 0.19	$ 0.19	$ 0.20
1st quarter	457,388	177,887	77,673	78,885	$ 0.38	$ 0.38	$ 0.38
2017							
4th quarter	381,212	107,601	28,919	43,944	$ 0.14	$ 0.14	$ 0.22
3rd quarter	461,628	175,813	66,719	70,141	$ 0.33	$ 0.33	$ 0.35

[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 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share), business acquisition, integration and restructuring costs of $4.0 million ($0.01 per share) and an impairment on an investment in an associate of $8.7 million ($0.03 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share) and 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 2018 was negatively impacted by business acquisition, integration and restructuring costs of $7.7 million ($0.03 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2018 was negatively impacted by non-cash radio broadcast license and television goodwill impairment charges of $1,013.7 million ($4.84 per share) and business acquisition, integration and restructuring costs of $5.3 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $1.6 million ($nil per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $13.3 million ($0.05 per share) and investment impairments of $5.3 million ($0.03 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $4.6 million ($0.02 per share).

FINANCIAL POSITION

Total assets at February 28, 2019 were $4.9 billion which was consistent with August 31, 2018. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2018.

Current assets at February 28, 2019 were $529.2 million, up $21.6 million from August 31, 2018.

Cash and cash equivalents decreased by $27.2 million from August 31, 2018. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $48.2 million from August 31, 2018. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased $7.7 million from August 31, 2018 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased $12.6 million from August 31, 2018, primarily as a result of unrealized losses relating to interest rate swaps and forward foreign exchange contracts, certain post employment benefit plans being in a lower net asset position, an impairment charge related to an investment in associates and equity losses from associates, offset by unrealized gains related to the fair value remeasurement of investments in venture funds. The increases to investments in venture funds relate primarily to the initial implementation of IFRS 9 - *Financial Instruments*, which was implemented on September 1, 2018. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Property, plant and equipment decreased $12.0 million from August 31, 2018 as a result of depreciation expense exceeding additions.

Program rights increased $41.5 million from August 31, 2018, as additions of acquired rights of $298.6 million were offset by amortization of $257.1 million.

Film investments increased $10.7 million from August 31, 2018, as film additions (net of tax credit accruals) of $17.1 million were offset by film amortization of $6.4 million.

Intangibles decreased $76.8 million from August 31, 2018, primarily as a result of a change in estimated useful lives of certain TV brand assets from indefinite life to finite life effective September 1, 2018, which resulted in amortization of finite life intangibles exceeding additions. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Goodwill remained unchanged from August 31, 2018.

Accounts payable and accrued liabilities increased $38.5 million from August 31, 2018, as a result of higher accruals for program rights, dividends payable, trade marks and film production, offset by lower accrued liabilities. The decrease in accrued liabilities relates primarily to other working capital accruals, lower CRTC fees, capital asset purchases, unearned revenues, and short-term compensation accruals, offset by higher unremitted sales taxes and increases in accounts payable.

Provisions, including the long-term portion, at February 28, 2019 were $22.3 million compared to $19.0 million at August 31, 2018. The increase of $3.3 million from August 31, 2018 is primarily a result of additional provisions for an onerous lease obligation of $5.4 million for office space vacated in Vancouver and additional asset retirement obligations of $3.0 million for the former Shaw Media headquarters in Toronto, offset by restructuring related payments.

Long-term debt, including the current portion, as at February 28, 2019 was $1,868.6 million compared to $1,983.9 million as at August 31, 2018. As at February 28, 2019, the $79.5 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next 12 months. During the six months ended February 28, 2019, the Company repaid bank loans of $117.5 million and amortized $2.3 million of deferred financing charges.

Other long-term liabilities increased $34.7 million from August 31, 2018, primarily from increases in long-term program rights payable, long-term employee obligations, post employment benefit plan obligations and deferred leasehold inducement, offset by decreases in trade marks payable, the long-term portion of tangible benefits, unearned revenues, intangible liabilities and finance lease accruals.

Share capital decreased by $1.5 billion from August 31, 2018 as a result of the reduction in stated capital approved at the Company's Annual and Special Meeting of Shareholders on January 16, 2019. Contributed surplus increased principally from this reduction in stated capital.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $3.0 million in the second quarter of fiscal 2019 and $27.2 million in the six months ended February 28, 2019. Free cash flow for the second quarter increased to $83.9 million from $82.1 million, but decreased year-to-date to $126.3 million from $165.3 million in the 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 provided by operating activities for the three and six months ended February 28, 2019 was $86.3 million and $131.7 million, respectively, compared to $86.5 million and $172.2 million in the comparable periods in the prior year. The decrease in the current quarter of $0.2 million arises principally from higher cash flow from operations of $2.7 million, offset by lower cash provided by working capital of $2.9 million. The decrease in the year-to-date of $40.5 million arises from lower cash flow from operations as the prior year included proceeds of $24.6 million from the termination of interest rate swap agreements and higher cash used in working capital of $20.0 million.

Cash used in investing activities for the three and six months ended February 28, 2019 was $5.7 million and $8.7 million, respectively, compared to $6.2 million and $8.1 million in the comparable periods in the prior year, comprised of additions to property, plant, equipment and software intangibles. The prior year includes additions to property, plant and equipment of $5.0 million, offset by proceeds of $0.5 million on disposal of redundant land, and net cash outflows for intangibles, investments and other assets of $3.7 million.

Cash used in financing activities in the three and six months ended February 28, 2019 was $83.6 million and $150.2 million, respectively, compared to $83.4 million and $177.4 million in the comparable periods in the prior year. In the current year-to-date, the Company repaid bank debt of $117.5 million, paid dividends of $29.9 million, and made capital lease payments of $2.7 million. In the prior year-to-date, the Company repaid bank debt of $54.7 million, paid financing costs of $4.1 million to amend the credit facilities, paid dividends of $115.6 million, and made capital lease payments of $3.1 million.

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) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage 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. As at February 28, 2019, the Company's leverage ratio was 3.05 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company is currently focused on deleveraging below 3.0 times net debt to segment profit.

As at February 28, 2019, the Company had a net cash balance of $67.7 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. 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.

For further details on the credit facilities, as amended on November 30, 2017, refer to note 9 of the Company's interim condensed consolidated financial statements in the First Quarter 2018 Report to Shareholders, filed on SEDAR at www.sedar.com.

TOTAL CAPITALIZATION

As at February 28, 2019, total capitalization was $3,511.6 million compared to $3,565.9 million at August 31, 2018, a decrease of $54.3 million. The decrease is primarily attributable to the decrease in the accumulated deficit and a decrease in cash of $27.2 million, offset by lower net debt resulting from the decrease in debt of $115.3 million.

DERIVATIVE FINANCIAL INSTRUMENTS

On November 28, 2017, the Company terminated the interest rate swap agreements that fixed the interest rate on an initial $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. As a result, the Company received $24.6 million, net of interest, in cash upon settlement of these swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income and is being amortized as non-cash interest income (note 12).

On November 28, 2017, the Company entered into 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 as at February 28, 2019 was $7.7 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4).

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million U.S. dollars, to fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at February 28, 2019 was $4.7 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4), and within other expense (income), net in the interim consolidated statements of income (note 13). The Company has the following undiscounted contractual obligations related to the remaining forward currency contracts:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	97,464	24,924	72,540	-	—
Contractual USD cash inflows	78,600	20,100	58,500	-	—

On November 29, 2018, the Company initiated total return swap agreements on 1,868,500 units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at February 28, 2019 is $2.0 million, which has been recorded in the interim consolidated statement of financial position as an asset in prepaid expenses and other assets.

OUTSTANDING SHARE DATA

As at March 31, 2019, 3,415,192 Class A Voting Shares and 208,581,866 Class B Non-Voting Shares were issued and outstanding.

KEY PERFORMANCE INDICATORS

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. 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, 2018, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

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:

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 February 28, 2019	2018	Six months ended February 28, 2019	2018
Cash provided by (used in):				
Operating activities	**86,320**	86,502	**131,691**	172,179
Investing activities	**(5,709)**	(6,151)	**(8,674)**	(8,093)
	80,611	80,351	**123,017**	164,086
Add: cash used in business combinations and strategic investments [1]	**3,298**	1,722	**3,298**	1,202
Free cash flow	**83,909**	82,073	**126,315**	165,288

[1] Strategic investments are comprised of investments in venture funds and associated companies.

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

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 attributable to shareholders and adjusted basic earnings per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income attributable to shareholders 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 attributable to shareholders 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.

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

(thousands of Canadian dollars, except per share amounts)	Three months ended February 28, 2019	2018	Six months ended February 28, 2019	2018
Net income attributable to shareholders	**6,344**	40,042	**66,759**	117,715
Adjustments, net of income tax:				
Impairment of investment in associate	**6,409**	—	**6,409**	—
Business acquisition, integration and restructuring costs	**2,980**	1,838	**12,676**	3,050
Adjusted net income attributable to shareholders	**15,733**	41,880	**85,844**	120,765
Basic earnings per share	**$0.03**	$0.19	**$0.31**	$0.57
Adjustments, net of income tax:				
Impairment of investment in associate	**$0.03**	—	**$0.03**	—
Business acquisition, integration and restructuring costs	**$0.01**	$0.01	**$0.06**	$0.01
Adjusted basic earnings per share	**$0.07**	$0.20	**$0.40**	$0.58

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 to segment profit is calculated as net debt divided by segment profit. 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, 2019	As at August 31, 2018
Total bank loans, net of unamortized financing fees	**1,868,632**	1,983,933
Cash and cash equivalents	**(67,650)**	(94,801)
Net debt	**1,800,982**	1,889,132

(thousands of Canadian dollars)	As at February 28, 2019	As at August 31, 2018
Net debt (numerator)	**1,800,982**	1,889,132
Segment profit (denominator) (1)	**589,768**	575,628
Net debt to segment profit	**3.05**	3.28

(1) Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section.

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2018 Annual Report under the "Risks and Uncertainties" section. There have been no material changes in the risks or uncertainties facing the Company since the date of its Annual Report.

IMPACT OF NEW ACCOUNTING POLICIES AND CHANGES IN ESTIMATES

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, 2018 consolidated financial statements and note 3 in the Company's February 28, 2019 interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2018. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 2 — Share-based payments ("IFRS 2")

Amendments to IFRS 2, *Share-based payments*, clarify how to account for certain types of share-based payment transactions. These amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of these amendments had no impact on the Company's financial position or results.

IFRIC 22 — Foreign currency transactions and advance consideration ("IFRIC 22")

IFRIC 22, *Foreign currency transactions and advance consideration*, clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. Adoption of this amendment had no impact on the Company's financial position or results.

IFRS 15 - Revenue from contracts with customers ("IFRS 15")

Effective September 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes previous accounting standard for revenue, International Accounting Standard 18, *Revenue* ("IAS 18").

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS standards. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;

4. allocate the transaction price to the performance obligations in the contract; and

5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company used the modified retrospective method, which requires the cumulative effect of initially applying the Standard to be recognized at the date of initial application, which was September 1, 2018, and that the financial information previously presented for the year ended August 31, 2018 would remain unchanged. The Company also elected to apply the following practical expedients as permitted by the standard:

- IFRS 15 is applied retrospectively only to contracts that are not completed contracts at the date of initial application.
- No adjustment of the contracted amount of consideration for the effects of financing components when at the inception of the contract the Company expects that the effect of the financing component is not significant at the individual contract level or the contract is one year or less.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.

The only changes related to the Company's revenue recognition policy are as follows:

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regards to the timing of recognition of revenue related to software licenses. IFRS 15 requires revenue related to certain licenses of an entity's intellectual property to be recognized at a point in time if the license relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2.7 million ($2.0 million, net of income tax) with a corresponding adjustment to opening accumulated deficit related to software license revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during the first half of fiscal 2019.

Previously, under IAS 18 and the Standards Interpretation Committee Interpretation 31 - *Revenue - Barter Transactions Involving Advertising Services*, the Company provided interactive impressions, radio and television spots in return for television and outdoor advertising for which no monetary consideration was exchanged, nor was it recorded in the accounts as those transactions were considered an exchange of similar advertising services. IFRS 15 requires contra revenue to be recorded at fair value if the contract is determined to have commercial substance. On adoption of IFRS 15, the Company's accounting policy has been updated to record revenue on contra transactions when the contract is determined to have commercial substance. This change in accounting policy has not resulted in a material transitional adjustment and there was no significant impact on revenue during the three and six months ended February 28, 2019.

IFRS 9 - Financial instruments ("IFRS 9")

The Company has adopted IFRS 9 effective September 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities.

As detailed below, the Company has changed its accounting policy for financial instruments retrospectively, except where described below. The primary area of change and corresponding transitional adjustment applied on September 1, 2018 was as follows:

Impact of adoption on the accounting for venture funds previously designated as available-for-sale

Upon adoption, investments in venture funds held by the Company have been classified at fair value through other comprehensive income pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. Upon adoption, an adjustment was made to bring the investments in venture funds to fair value which resulted in an increase to the carrying amount of these investments. The adjustment to increase investments in venture funds on September 1, 2018, was $10.8 million ($9.4 million, net of income tax) with a corresponding adjustment to accumulated other comprehensive income.

Financial assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets, the Company has classified and measured its financial assets as described below:

- Cash and cash equivalents and derivative instruments measured at fair value through profit or loss under International Accounting Standard 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be measured as such under IFRS 9.
- Accounts receivable classified as financial assets continue to be measured at amortized cost under IFRS 9.
- Investments in venture funds are classified as financial assets measured at fair value through other comprehensive income. Previously under IAS 39 these amounts were classified as available-for-sale.

Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial assets on the transition date.

Financial liabilities

Financial liabilities are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and, since the Company does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable, and long-term debt are classified as financial liabilities to be subsequently measured at amortized cost.

Expected credit loss impairment model

IFRS 9 requires a forward-looking expected credit loss impairment ("ECL") model as opposed to an incurred credit loss model under IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"). As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument. The adoption of the ECL model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Financial instruments

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, long-term debt and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value subsequent to initial recognition.

Investments in venture funds

The Company's investments in venture funds consist primarily of investments in common shares of a venture fund which invests in common and preferred shares of entities in the media and entertainment industry recorded using trade date accounting. Equity securities of venture funds are designated as fair value through other comprehensive income pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments (primarily swaps and forward contracts) to manage exposure to fluctuations in interest rates, foreign currency exchange rates, and certain share-based payment awards.

The Company recognizes all derivative financial instruments in the interim condensed consolidated financial statements at fair value and they are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the balance sheet unless there is a legal right to offset and intent to settle on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognized in the gain on derivative financial instruments line item of the interim condensed consolidated statements of income. Amounts deferred in other comprehensive income are reclassified when the hedged transaction has occurred.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value at the statement of financial position date, with changes in fair value recognized in other income (expense), net line item of the interim condensed consolidated statements.

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is now recorded on a straight-line basis over the estimated useful life. For the three and six months ended February 28, 2019, this has resulted in an additional $34.9 million and $69.8 million, respectively, in amortization expense in the depreciation and amortization line within the consolidated statements of income and comprehensive income (loss).

CONTROLS AND PROCEDURES

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred in the three and six months ended February 28, 2019 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	As at February 28, 2019	As at August 31, 2018
ASSETS		
Current		
Cash and cash equivalents	**67,650**	94,801
Accounts receivable	**436,966**	388,751
Income taxes recoverable	**—**	3,305
Prepaid expenses and other assets	**24,591**	20,723
Total current assets	**529,207**	507,580
Tax credits receivable	**25,744**	18,047
Investments and other assets (note 4)	**69,593**	82,213
Property, plant and equipment	**219,216**	231,192
Program rights (note 5)	**579,897**	538,357
Film investments (note 6)	**54,172**	43,424
Intangibles (notes 3 and 7)	**1,935,236**	2,012,086
Goodwill	**1,387,652**	1,387,652
Deferred income tax assets	**69,243**	62,403
	4,869,960	4,882,954
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**444,275**	405,762
Current portion of long-term debt (note 9)	**79,466**	106,375
Provisions (note 8)	**11,462**	11,175
Income taxes payable	**9,274**	—
Total current liabilities	**544,477**	523,312
Long-term debt (note 9)	**1,789,166**	1,877,558
Other long-term liabilities	**329,907**	295,206
Provisions (note 8)	**10,831**	7,801
Deferred income tax liabilities	**484,952**	502,274
Total liabilities	**3,159,333**	3,206,151
EQUITY		
Share capital (note 10)	**830,477**	2,330,477
Contributed surplus	**1,512,366**	12,119
Accumulated deficit	**(814,531)**	(856,668)
Accumulated other comprehensive income	**31,326**	36,460
Total equity attributable to shareholders	**1,559,638**	1,522,388
Equity attributable to non-controlling interest	**150,989**	154,415
Total equity	**1,710,627**	1,676,803
	4,869,960	4,882,954

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

	Three months ended		Six months ended	
		February 28,		**February 28,**
(unaudited - in thousands of Canadian dollars, except per share amounts)	**2019**	2018	**2019**	2018
Revenues	**384,115**	369,465	**851,586**	826,853
Direct cost of sales, general and administrative expenses (note 11)	**270,967**	256,706	**546,800**	536,207
Depreciation and amortization (note 3)	**54,801**	20,832	**109,129**	41,590
Interest expense (note 12)	**31,846**	31,766	**63,185**	63,841
Business acquisition, integration and restructuring costs (note 8)	**4,047**	2,475	**17,228**	4,083
Other expense (income), net (note 13)	**6,521**	(3,473)	**7,758**	4,081
Income before income taxes	**15,933**	61,159	**107,486**	177,051
Income tax expense (note 14)	**4,213**	15,446	**28,990**	46,331
Net income for the period	**11,720**	45,713	**78,496**	130,720
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**(170)**	(8)	**120**	430
Unrealized change in fair value of cash flow hedges	**(14,368)**	14,128	**(14,746)**	13,719
	(14,538)	14,120	**(14,626)**	14,149
Items that will not be reclassified to income:				
Unrealized change in fair value of financial assets	**96**	—	**96**	—
Actuarial gain (loss) on post-retirement benefit plans	**(3,502)**	1,871	**(1,176)**	(868)
Other comprehensive income (loss), net of income taxes	**(17,944)**	15,991	**(15,706)**	13,281
Comprehensive income (loss) for the period	**(6,224)**	61,704	**62,790**	144,001
Net income attributable to:				
Shareholders	**6,344**	40,042	**66,759**	117,715
Non-controlling interest	**5,376**	5,671	**11,737**	13,005
	11,720	45,713	**78,496**	130,720
Comprehensive income (loss) attributable to:				
Shareholders	**(11,600)**	56,033	**51,053**	130,996
Non-controlling interest	**5,376**	5,671	**11,737**	13,005
	(6,224)	61,704	**62,790**	144,001
Earnings per share attributable to shareholders:				
Basic	**$0.03**	$0.19	**$0.31**	$0.57
Diluted	**$0.03**	$0.19	**$0.31**	$0.57

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment (note 3)	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment (note 3)	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income (loss)	—	—	66,759	(15,706)	51,053	11,737	62,790
Dividends declared	—	—	(25,431)	—	(25,431)	(15,163)	(40,594)
Reduction of stated capital (note 10)	(1,500,000)	1,500,000	—	—	—	—	—
Actuarial loss on post-retirement benefit plans	—	—	(1,176)	1,176	—	—	—
Share-based compensation expense	—	247	—	—	247	—	247
As at February 28, 2019	**830,477**	**1,512,366**	**(814,531)**	**31,326**	**1,559,638**	**150,989**	**1,710,627**

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income	—	—	117,715	13,281	130,996	13,005	144,001
Dividends declared	—	—	(118,294)	—	(118,294)	(16,188)	(134,482)
Issuance of shares under dividend reinvestment plan	18,584	—	—	—	18,584	—	18,584
Issuance of shares under stock option plan	85	—	—	—	85	—	85
Actuarial loss on post-retirement benefit plans	—	—	(868)	868	—	—	—
Share-based compensation expense	—	356	—	—	356	—	356
As at February 28, 2018	2,310,483	11,805	113,045	37,087	2,472,420	155,645	2,628,065

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended February 28, 2019	2018	Six months ended February 28, 2019	2018
OPERATING ACTIVITIES				
Net income for the period	**11,720**	45,713	**78,496**	130,720
Adjustments to reconcile net income to cash flow from operations:				
Amortization of program rights (notes 5 and 11)	**127,558**	125,692	**257,128**	259,075
Amortization of film investments (notes 6 and 11)	**2,856**	3,329	**6,385**	5,855
Depreciation and amortization (note 3)	**54,801**	20,832	**109,129**	41,590
Deferred income taxes (recovery)	**(10,600)**	267	**(19,947)**	98
Impairment of investment in associate (note 13)	**8,720**	—	**8,720**	—
Share-based compensation expense	**202**	168	**247**	356
Imputed interest (note 12)	**11,071**	11,011	**21,665**	22,878
Proceeds from termination of interest rate swap (note 9)	**—**	—	**—**	24,644
Payment of program rights	**(126,590)**	(122,692)	**(236,804)**	(238,369)
Net spend on film investments	**(17,722)**	(11,533)	**(28,385)**	(20,281)
CRTC benefit payments	**(50)**	(186)	**(911)**	(897)
Other	**(338)**	(3,154)	**(3,808)**	(2,728)
Cash flow from operations	**61,628**	69,447	**191,915**	222,941
Net change in non-cash working capital balances related to operations	**24,692**	17,055	**(60,224)**	(50,762)
Cash provided by operating activities	**86,320**	86,502	**131,691**	172,179
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(3,591)**	(3,378)	**(6,160)**	(4,959)
Proceeds from sale of property	**6**	—	**9**	545
Net cash flows for intangibles, investments and other assets	**(2,124)**	(2,773)	**(2,523)**	(3,679)
Cash used in investing activities	**(5,709)**	(6,151)	**(8,674)**	(8,093)
FINANCING ACTIVITIES				
Decrease in bank loans	**(60,539)**	(28,165)	**(117,548)**	(54,727)
Deferred financing costs	**—**	—	**—**	(4,088)
Issuance of shares under stock option plan	**—**	—	**—**	85
Dividends paid	**(12,717)**	(50,319)	**(12,717)**	(99,367)
Dividends paid to non-controlling interest	**(9,941)**	(4,179)	**(17,163)**	(16,188)
Other	**(431)**	(742)	**(2,740)**	(3,086)
Cash used in financing activities	**(83,628)**	(83,405)	**(150,168)**	(177,371)
Net change in cash and cash equivalents during the period	**(3,017)**	(3,054)	**(27,151)**	(13,285)
Cash and cash equivalents, beginning of the period	**70,667**	83,470	**94,801**	93,701
Cash and cash equivalents, end of the period	**67,650**	80,416	**67,650**	80,416

Supplemental cash flow disclosures (note 16)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2019

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

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified Canadian media and content 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; the operation of radio stations; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book 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 ("IAS") – *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, 2018, 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, 2018, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three and six months ended February 28, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 4, 2019.

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 investments in venture funds, 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 ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is now recorded on a straight-line basis over the estimated useful life. For the three and six months ended February 28, 2019, this has resulted in an additional $34.9 million and $69.8 million, respectively, in amortization expense in the depreciation and amortization line within the consolidated statements of income and comprehensive income (loss).

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2018. The effects of these pronouncements on the Company's results and operations are described below:

IFRS 2 – Share-based payments ("IFRS 2")

Amendments to IFRS 2, clarify how to account for certain types of share-based payment transactions. These amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of these amendments had no impact on the Company's financial position or results.

IFRS 15 – Revenue from contracts with customers ("IFRS 15")

Effective September 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes IAS 18, *Revenue* ("IAS 18").

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS standards. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;

2. identify the performance obligations in the contract;

3. determine the transaction price;

4. allocate the transaction price to the performance obligations in the contract; and

5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company used the modified retrospective method, which requires the cumulative effect of initially applying IFRS 15 to be recognized at the date of initial application, which was September 1, 2018, and that the financial information previously presented for the year ended August 31, 2018 would remain unchanged. The Company also elected to apply the following practical expedients as permitted by the standard:

- IFRS 15 is applied retrospectively only to contracts that are not completed contracts at the date of initial application.
- No adjustment of the contracted amount of consideration for the effects of financing components when at the inception of the contract the Company expects that the effect of the financing component is not significant at the individual contract level or the contract is one year or less.
- No deferral of contract acquisition costs when the amortization period for such costs would be one year or less.

The only changes related to the Company's revenue recognition policy are as follows:

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regard to the timing of recognition of revenue related to software licenses. IFRS 15 requires revenue related to certain licenses of an entity's intellectual property to be recognized at a point in time if the license relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2.7 million ($2.0 million, net of income tax) with a corresponding adjustment to opening accumulated deficit related to software license revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during the first half of fiscal 2019.

Previously, under IAS 18 and the Standards Interpretation Committee Interpretation 31 – *Revenue – Barter Transactions Involving Advertising Services*, the Company provided interactive impressions, radio and television spots in return for television and outdoor advertising for which no monetary consideration was exchanged, nor was it recorded in the accounts as those transactions were considered an exchange of similar advertising services. IFRS 15 requires that contra revenue is recorded at fair value if the contract is determined to have commercial substance. On adoption of IFRS 15, the Company's accounting policy has been updated to record revenue on contra transactions when the contract is determined to have commercial substance. This change in accounting policy has not resulted in a material transitional adjustment and there was no significant impact on revenue during the three and six months ended February 28, 2019.

IFRS 9 – Financial instruments ("IFRS 9")

The Company has adopted IFRS 9, effective September 1, 2018 on a modified retrospective basis, in accordance with the transitional provisions of IFRS 9. As such, comparative figures have not been restated. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a new model for hedge accounting aligning the accounting treatment with risk management activities.

As detailed below, the Company has changed its accounting policy for financial instruments retrospectively, except where described below. The primary area of change and corresponding transitional adjustment applied on September 1, 2018 was as follows:

Impact of adoption on the accounting for venture funds previously designated as available-for-sale

Upon adoption, investments in venture funds held by the Company have been classified at fair value through other comprehensive income (loss) pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. Upon adoption, an adjustment was made to bring the investments in venture funds to fair value which resulted in an increase to the carrying amount of these investments. The adjustment to increase investments in venture funds on September 1, 2018 was $10.8 million ($9.4 million, net of tax) with a corresponding adjustment to accumulated other comprehensive income.

Financial assets

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. At initial recognition, financial assets are measured at fair value. Under the IFRS 9 model for classification of financial assets, the Company has classified and measured its financial assets as described below:

Cash and cash equivalents and derivative instruments measured at fair value through profit or loss under IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be measured as such under IFRS 9.

Accounts receivable classified as financial assets continue to be measured at amortized cost under IFRS 9.

Investments in venture funds are classified as financial assets measured at fair value through other comprehensive income. Previously under IAS 39 these amounts were classified as available-for-sale.

Except as noted above, the adoption of IFRS 9 did not result in a change in the carrying values of any of the Company's financial assets on the transition date.

Financial liabilities

Financial liabilities are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and, since the Company does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable, and long-term debt are classified as financial liabilities to be subsequently measured at amortized cost.

Expected credit loss impairment model

IFRS 9 requires a forward-looking expected credit loss impairment ("ECL") model as opposed to an incurred credit loss model under IAS 39. As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument. The adoption of the ECL model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Financial instruments

The Company's financial assets and liabilities (financial instruments) include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, long-term debt and derivative financial instruments. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial instruments classified as cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost using the effective interest method. Other financial assets and liabilities are recorded at fair value subsequent to initial recognition.

Investments in venture funds

The Company's investments in venture funds consist primarily of investments in common shares of a venture fund which invests in common and preferred shares of entities in the media and entertainment industry recorded using trade date accounting. Equity securities of venture funds are designated as fair value through other comprehensive income (loss) pursuant to the irrevocable election under IFRS 9. Changes in the fair value of equity securities are permanently recognized in other comprehensive income and will not be reclassified to profit or loss.

Derivative instruments and hedge accounting

The Company uses derivative financial instruments (primarily swaps and forward contracts) to manage exposure to fluctuations in interest rates, foreign currency exchange rates, and certain share-based payment awards.

The Company recognizes all derivative financial instruments in the interim condensed consolidated financial statements at fair value and they are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the consolidated statements of financial position unless there is a legal right to offset and intent to settle on a net basis.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion, if any, is recognized in the gain on derivative financial instruments line item of the interim condensed consolidated statements of income and comprehensive income (loss). Amounts deferred in other comprehensive income (loss) are reclassified when the hedged transaction has occurred.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value at the consolidated statements of financial position date, with changes in fair value recognized in the other income (expense), net line item on the interim condensed consolidated statements of income and comprehensive income (loss).

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

PENDING ACCOUNTING CHANGES

IFRS 16 – *Leases* ("IFRS 16")

On January 13, 2016, the IASB published a new standard, IFRS 16. The new standard will eliminate the distinction between operating and finance leases and will bring most leases onto the balance sheet for lessees. Lessees must recognize a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. Lessees are permitted to make an accounting policy election, by class of underlying asset, to apply a method similar to IAS 17's operating lease accounting and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less, and on a lease-by-lease basis, to apply a method similar to current operating lease accounting to leases for which the underlying asset is of low value. IFRS 16 supersedes IAS 17 – *Leases* and its related interpretations, and is effective for annual periods beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRIC 23 – *Uncertainty over income tax treatments* ("IFRIC 23")

IFRIC 23 provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances.

The new interpretation is effective for annual periods beginning on or after January 1, 2019 and will be adopted by the Company effective September 1, 2019. The Company is currently assessing the impact of the new interpretation on its consolidated financial statements.

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance – August 31, 2018	9,000	73,213	82,213
IFRS 9 transitional adjustment (note 3)	—	10,849	10,849
Adjusted balance as at September 1, 2018	9,000	84,062	93,062
Decrease in investments	(266)	(14,483)	(14,749)
Impairment of investment in associates (note 13)	(8,720)	—	(8,720)
Balance – February 28, 2019	**14**	**69,579**	**69,593**

5. PROGRAM RIGHTS

Balance – August 31, 2018	538,357
Net additions	298,668
Amortization	(257,128)
Balance – February 28, 2019	**579,897**

6. FILM INVESTMENTS

Balance – August 31, 2018	43,424
Net additions	17,133
Amortization	(6,385)
Balance – February 28, 2019	**54,172**

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

7. INTANGIBLES

	Broadcast licenses [1]	Brands and trademarks [2]	Other [3]	Total
Balance – August 31, 2018	971,197	1,025,589	15,300	2,012,086
Additions	—	12,064	3,123	15,187
Amortization	—	(86,185)	(5,852)	(92,037)
Balance – February 28, 2019	**971,197**	**951,468**	**12,571**	**1,935,236**

[1] Broadcast licenses are located in Canada.

[2] The change in estimates related to the television brand assets (note 3) has resulted in an additional $34.9 million and $69.8 million in amortization expense in the three and six months ended February 28, 2019, respectively. Of the total brand assets, $179.1 million is amortized over 3-5 years and $747.7 million is amortized over 20 years, however, the amortization of certain brands is accelerated based on anticipated rebranding when appropriate.

[3] Other intangibles are comprised principally of computer software.

8. PROVISIONS

	Restructuring	Onerous lease obligation	Asset retirement obligations	Other	Total
Balance – August 31, 2018	11,660	—	6,731	585	18,976
Additions	6,142	5,429	3,000	16	14,587
Interest	—	164	193	—	357
Payments	(10,168)	(476)	(983)	—	(11,627)
Balance – February 28, 2019	**7,634**	**5,117**	**8,941**	**601**	**22,293**
Current	6,910	958	2,993	601	11,462
Long-term	724	4,159	5,948	—	10,831
Balance – February 28, 2019	**7,634**	**5,117**	**8,941**	**601**	**22,293**

In the six months ended February 28, 2019, the Company recorded restructuring costs associated with employee exits of $6.1 million, as well as onerous lease provision costs of $5.4 million for office space vacated in Vancouver and additional asset retirement obligations of $3.0 million for the former Shaw Media headquarters in Toronto.

9. LONG-TERM DEBT

	February 28, 2019	August 31, 2018
Bank loans	**1,881,101**	1,998,684
Unamortized financing fees	**(12,469)**	(14,751)
	1,868,632	1,983,933
Less: current portion of bank loans	**(79,466)**	(106,375)
	1,789,166	1,877,558

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 28, 2019, the weighted average interest rate on outstanding bank loans was 4.1% (2018 – 4.5%). Interest on the bank loans averaged 4.6% for both the three and six months ended February 28, 2019 (2018 – 4.5% and 4.1%).

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, 2019.

CREDIT FACILITIES

In connection with the closing of the acquisition of Shaw Media on April 1, 2016, 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.

Effective November 30, 2017, the Company's credit agreement with a syndicate of banks was amended. The principal amendments effected were the extension of the maturity for the Revolving Facility and the Term Facility, and fixing the mandatory repayment on the Term Facility to 1.25% per quarter effective November 30, 2017.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the initial amount of $700.3 million and having a maturity of November 30, 2022, and the second tranche being in the initial amount of $1,400.6 million and having a maturity of November 30, 2021.

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 mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus.

Revolving Facility

The $300.0 million Revolving Facility matures on November 30, 2021. 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. As at February 28, 2019, all of the Revolving Facility was available and could be drawn.

INTEREST RATE SWAP AGREEMENTS

On November 28, 2017, the Company terminated the Canadian interest rate swap agreements that fixed 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. As a result, the Company received a cash payment, net of accrued interest, of $24.6 million in settlement of these interest rate swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income (loss) and is being amortized over the life of the original swap agreements as non-cash interest income in the interim consolidated statements of income and comprehensive income (loss) (note 12).

On November 28, 2017, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $1,101.0 million and $600.0 million of its outstanding term loan facilities at 1.947% and

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

2.004%, respectively, plus applicable margins to August 31, 2021 and August 31, 2022. 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 (loss). The estimated fair value of these agreements as at February 28, 2019 is $7.7 million (August 31, 2018 – $23.2 million), which has been recorded in the interim consolidated statements of financial position as a long-term other asset (note 4). The effectiveness of the hedging relationship is reviewed on a quarterly basis.

TOTAL RETURN SWAPS

On November 29, 2018, the Company initiated total return swap agreements on 1,868,500 units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at February 28, 2019 is $2.0 million, which has been recorded in the interim consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the interim consolidated statements of income and comprehensive income (loss) (note 11).

FORWARD CONTRACTS

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flow of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at February 28, 2019 was $4.7 million (August 31, 2018 – $3.8 million), which has been recorded in the interim consolidated statements of financial position as a long-term other asset (note 4) and within other expense (income), net in the interim consolidated statements of income and comprehensive income (loss) (note 13). The Company has the following undiscounted contractual obligations related to forward foreign exchange contracts:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	97,464	24,924	72,540	—	—
Contractual USD cash inflows	78,600	20,100	58,500	—	—

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.

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance – August 31, 2018	3,419,392	26,479	208,577,666	2,303,998	2,330,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,200)	(33)	4,200	33	—
Paid-up capital reduction [1]	—	(17,000)	—	(1,483,000)	(1,500,000)
Balance – February 28, 2019	**3,415,192**	**9,446**	**208,581,866**	**821,031**	**830,477**

(1) Reduction in stated capital approved at the Company's Annual and Special Meeting of shareholders on January 16, 2019.

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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Net income attributable to shareholders (numerator)	**6,344**	40,042	**66,759**	117,715
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**211,997**	207,356	**211,997**	206,941
Effect of dilutive securities	**—**	—	**—**	71
Weighted average number of shares outstanding - diluted	**211,997**	207,356	**211,997**	207,012

The calculation of diluted earnings per share for the three and six months ended February 28, 2019 excluded 5,455 and 5,454, respectively (2018 – 6,419 and 5,325, respectively) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

STOCK OPTION PLAN

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the closing market price on the TSX of the Company's stock on the trading date immediately preceding the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

The fair value of each option granted in the second quarter of fiscal 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

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

Granted in the second quarter of fiscal 2019 and vesting in fiscal years 2020 through 2023	
Fair value	$1.07
Risk-free interest rate	1.8%
Expected dividend yield	4.0%
Expected share price volatility	31.7%
Expected time until exercise (years)	6

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 period end:

	February 28, 2019	August 31, 2018
Outstanding employee stock options	**6,965,200**	6,057,375
Exercisable employee stock options	**3,485,575**	3,021,550
Outstanding PSUs	**1,897,471**	1,424,404
Outstanding DSUs	**1,520,169**	1,206,809
Outstanding RSUs	**837,000**	517,392

Share-based compensation expense recorded for the second quarter and year-to-date of fiscal 2019 in respect of these plans was $640 and $2,712, respectively (2018 – recovery of $6,156 and $5,105, respectively). As at February 28, 2019, the carrying value of the liability for PSU, DSU and RSU units was $9,443 (August 31, 2018 – $4,912).

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2019	2018	**2019**	2018
Direct cost of sales				
Amortization of program rights (note 5)	**127,558**	125,692	**257,128**	259,075
Amortization of film investments (note 6)	**2,856**	3,329	**6,385**	5,855
Other cost of sales	**8,897**	5,822	**15,454**	11,845
General and administrative expenses				
Employee costs (note 9)	**80,815**	73,023	**159,514**	151,434
Other general and administrative	**50,841**	48,840	**108,319**	107,998
	270,967	256,706	**546,800**	536,207

12. INTEREST EXPENSE

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2019	2018	**2019**	2018
Interest on long-term debt	**21,982**	22,960	**44,646**	42,797
Imputed interest on long-term liabilities	**11,071**	11,011	**21,665**	22,878
Amortization of deferred gain on settled interest rate swap (note 9)	**(2,260)**	(2,502)	**(4,580)**	(2,502)
Other	**1,053**	297	**1,454**	668
	31,846	31,766	**63,185**	63,841

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

13. OTHER EXPENSE (INCOME), NET

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Foreign exchange loss (gain)	**(1,603)**	(4,031)	**70**	2,923
Equity loss of associates	**(3)**	486	**266**	793
Impairment of investment in associate (note 4)	**8,720**	—	**8,720**	—
Other expense (income) (note 9)	**(593)**	72	**(1,298)**	365
	6,521	(3,473)	**7,758**	4,081

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense is as follows:

	Six months ended February 28,			
	2019		2018	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**28,592**	**26.6%**	46,945	26.5%
Loss (income) subject to tax at less than statutory rates	**49**	**0.1%**	(158)	(0.1%)
Non-taxable portion of capital gains	**—**	**—%**	(52)	—%
Impact of valuation allowance recorded against future income tax assets in year	**68**	**0.1%**	—	—%
Transaction costs	**(194)**	**(0.2%)**	(213)	(0.1%)
Increase of various tax reserves	**232**	**0.2%**	160	0.1%
Miscellaneous differences	**243**	**0.2%**	(351)	(0.2%)
	28,990	**27.0%**	46,331	26.2%

15. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 37 specialty television networks (44 services prior to March 22, 2019; 45 services prior to February 28, 2018), 15 conventional television stations, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, 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, book 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

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, gains or losses on dispositions, and certain other income and expenses.

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

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.

REVENUES AND SEGMENT PROFIT

Three months ended February 28, 2019	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**353,466**	**30,649**	**—**	**384,115**
Direct cost of sales, general and administrative expenses	**239,757**	**25,694**	**5,516**	**270,967**
Segment profit (loss)	**113,709**	**4,955**	**(5,516)**	**113,148**
Depreciation and amortization				**54,801**
Interest expense				**31,846**
Business acquisition, integration and restructuring costs				**4,047**
Other expense, net				**6,521**
Income before income taxes				**15,933**

Three months ended February 28, 2018	Television	Radio	Corporate	Consolidated
Revenues	336,222	33,243	—	369,465
Direct cost of sales, general and administrative expenses (recovery)	232,576	26,360	(2,230)	256,706
Segment profit	103,646	6,883	2,230	112,759
Depreciation and amortization				20,832
Interest expense				31,766
Business acquisition, integration and restructuring costs				2,475
Other income, net				(3,473)
Income before income taxes				61,159

Six months ended February 28, 2019	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**779,656**	**71,930**	**—**	**851,586**
Direct cost of sales, general and administrative expenses	**481,394**	**53,963**	**11,443**	**546,800**
Segment profit (loss)	**298,262**	**17,967**	**(11,443)**	**304,786**
Depreciation and amortization				**109,129**
Interest expense				**63,185**
Business acquisition, integration and restructuring costs				**17,228**
Other expense, net				**7,758**
Income before income taxes				**107,486**

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

Six months ended February 28, 2018	Television	Radio	Corporate	Consolidated
Revenues	751,686	75,167	—	826,853
Direct cost of sales, general and administrative expenses	479,438	54,763	2,006	536,207
Segment profit (loss)	272,248	20,404	(2,006)	290,646
Depreciation and amortization				41,590
Interest expense				63,841
Business acquisition, integration and restructuring costs				4,083
Other expense, net				4,081
Income before income taxes				177,051

Revenues are derived from the following areas:

	Three months ended	February 28,	Six months ended	February 28,
	2019	2018	**2019**	2018
Advertising	**240,284**	221,663	**561,619**	533,874
Subscriber fees	**125,639**	127,008	**252,323**	253,263
Merchandising, distribution and other	**18,192**	20,794	**37,644**	39,716
	384,115	369,465	**851,586**	826,853

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	February 28,	Six months ended	February 28,
	2019	2018	**2019**	2018
Interest paid	**23,038**	23,309	**46,097**	43,700
Interest received	**331**	160	**707**	318
Income taxes paid	**24,085**	17,233	**35,239**	24,979

17. SUBSEQUENT EVENTS

On March 22, 2019, the Company entered into an agreement with the minority owners of TLN Media Group Inc. ("TLN") to sell Corus' 50.1% interest in TLN and facilitate certain contractual and other arrangements for $19.0 million. The disposal group will not be presented separately in the statements of financial position as held for disposal in the third quarter of fiscal 2019 in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, measured at the lower of carrying value and the fair value less costs to sell. The Company's business activities are conducted through two operating segments, Television and Radio. The disposal group, TLN, is not a separate operating segment, but it is included as part of the Television operating segment. Accordingly, the disposal group, TLN, does not qualify for discontinued operations presentation and as a result its operating results remain in continuing operations. Revenues attributable to TLN for the three and six months ended February 28, 2019 were $5.0 million and $9.7 million, respectively, while net income was $1.7 million and $2.6 million, respectively.