# Third Quarter 2019 Report to Shareholders

For the Nine Months Ended May 31, 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 May 31, 2019 | 2018 | Nine months ended May 31, 2019 | 2018 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Television | **421,481** | 402,990 | **1,201,137** | 1,154,676 |
| Radio | **36,936** | 38,420 | **108,866** | 113,587 |
| | **458,417** | 441,410 | **1,310,003** | 1,268,263 |
| **Segment profit** [1] | | | | |
| Television | **166,650** | 160,803 | **464,912** | 433,051 |
| Radio | **9,768** | 11,447 | **27,735** | 31,851 |
| Corporate | **(5,895)** | (1,829) | **(17,338)** | (3,835) |
| | **170,523** | 170,421 | **475,309** | 461,067 |
| Net income (loss) attributable to shareholders [2] | **66,378** | (935,899) | **133,137** | (818,184) |
| Adjusted net income attributable to shareholders [1][2] | **66,077** | 78,112 | **153,077** | 198,877 |
| Basic earnings (loss) per share [2] | **$0.31** | ($4.49) | **$0.63** | ($3.94) |
| Adjusted basic earnings per share [1][2] | **$0.31** | $0.37 | **$0.72** | $0.96 |
| Diluted earnings (loss) per share [2] | **$0.31** | ($4.49) | **$0.63** | ($3.94) |
| **Free cash flow** [1] | **90,101** | 87,753 | **216,416** | 253,041 |

[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 nine months ended May 31, 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 nine months ended May 31, 2019, this has resulted in an additional $16.7 million and $86.5 million, respectively, in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income and comprehensive income attributable to shareholders, net of income taxes, by $12.3 million ($0.06 per share basic) and $63.6 million ($0.30 per share basic), respectively. Further discussion of this can be found in the Impact of New Accounting Policies and Changes in Estimates section of the Third Quarter 2019 Report to Shareholders.

## HIGHLIGHTS IN 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 22, 2019, the Company sold its 50.5% interest in the Telelatino Network to the TLN Media Group for $19.0 million.
- On March 26, 2019, the Company's Radio segment 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 nine 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* Dawna Friesen.
- On March 29, 2019, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.
- On April 1, 2019, the Company launched the world's first ever 24-hour Adult Swim channel in Canada, replacing ACTION within Corus' television portfolio. The new channel features iconic Adult Swim series *Rick and Morty, Robot Chicken, Tim & Eric's Bedtime Stories* and *The Eric Andre Show*, plus popular acquisitions *Family Guy, Bob's Burgers* and *American Dad.*
- On April 2, 2019, Corus Studios announced the introduction of three new greenlit renovation/real estate series available for sale at MIPTV including *Vacation House Rules* (10x60), *Make Your Move* (working title) (10x60) and *Farmhouse Facelift* (working title) (10x60). The Company continues to grow its slate of distinct original series developed for its portfolio of Lifestyle channels and for sale in the international market.
- On April 4, 2019, Corus Studios announced new international sales for original lifestyle content. Sales highlights include: *STITCHED* sold to Fashion.il in Israel; *Backyard Builds* sold to Poland's Domo+ for Season 1 and 2; *Masters of Flip* sold to Australia's Nine Network who picked up Seasons 1 and 4; *$ave 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.
- On April 10, 2019, Global Television announced a new broadcast partnership with the Canadian Country Music Association® (CCMA) as the exclusive multi-year broadcast partner for the Canadian Country Music Association Awards. The 2019 CCMA Awards will be broadcast live and aired exclusively on Global on Sunday, September 8, 2019 at 9 p.m. E.T.
- On April 25, 2019, the Company, along with Viacom and Ellen Digital Network, joined the Global Video Measurement Alliance (GVMA). Established by founding members VICE, BuzzFeed, Group Nine and Tubular Labs, the world leader in digital video measurement and sponsored video intelligence, GVMA will establish new digital video measurement standards, beginning with social video.
- On May 6, 2019, the Company's Nelvana subsidiary and Sesame Workshop announced that Season 2 of award-winning original series *Esme & Roy* was greenlit and will debut on Treehouse in Canada, and HBO in the United States in 2020.
- During the week of May 6 – 12, 2019, the Company's radio stations were recognized at the Canadian Music Week Industry Awards which celebrate the best and brightest in all fields of the Canadian music and broadcast industries. Taking home awards for Corus were: Country 105 (Calgary) and FM 96 (London)'s Brad Gibb.
- On May 11, 2019, the Company's Global News and Corus Radio outlets received 33 Radio Television Digital News Association (RTDNA) Awards honouring national and regional journalism excellence in Television, Digital, Radio and Multiplatform. In addition, three Global News and Corus Radio staff received Lifetime Achievement Awards.
- On May 13, 2019, Global Television launched its Global TV App on Roku® streaming players and Roku TVs. Corus is the first Canadian broadcaster to join the streaming platform.
- On May 14, 2019, the Company, together with Shaw Communications Inc. ("Shaw"), announced an agreement between Shaw and a syndicate of underwriters led by TD Securities Inc. to purchase an aggregate of 80,630,383 Class B non-voting participating shares ("Class B Shares") of Corus at a price of $6.80 per Class B Share (the "Offering"), for total gross proceeds of $548,286,604. Closing occured on May 31, 2019. The Company did not receive any of the proceeds from the Offering.
- On May 30, 2019, Global Television unveiled its 2019/2020 primetime lineup featuring 12 new series for the broadcast year including two new dramas *Prodigal Son* and *Evil;* two new comedies *The Unicorn* and *Carol's Second Act;* the final season of *Modern Family*; a new late-night show *A Little Late with Lilly Singh;* and newly

acquired series *Tommy*, *FBI: Most Wanted* and *Broke.* These properties join the network's returning hits including *New Amsterdam, FBI, 9-1-1* and Canadian Original series *Departure, Nurses* and *Big Brother Canada.*

- On May 30, 2019, the Company announced its content slate for the 2019/2020 broadcast year across its collection of premium specialty networks. Corus' specialty programming offerings include four new drama series, *Pearson, Nancy Drew, Katy Keene,* and *Party of Five* on W Network; *Batwoman, Pennyworth* and *Swamp Thing* on Showcase; new home renovation programming including *A Very Brady Renovation, Extreme Makeover: Home Edition* and *Christina on the Coast* on HGTV Canada; two new holiday-themed culinary competition programs *Cupcake Championship and Holiday Wars* on Food Network Canada*;* and Corus' leading suite of children's networks will introduce *The Loud House: Los Casagrandes,* new series *Yabba Dabba Dinosaurs* and the milestone 50th Season of *Sesame Street.*
- On May 30, 2019, the Company announced its programming lineup of new and returning Canadian original series for its 2019/2020 schedule. Unveiling 40 newly-commissioned seasons and titles, Corus is dedicated to developing extraordinary Canadian content. This year, Corus Studios introduces 11 dynamic new series including *Wall of Chefs, Junior Chef Showdown, Big Home Overhaul* and *Big Timber.* The Company's Nelvana subsidiary announces seven new and returning animated series including *Agent Binky: Pets of the Universe* and *The Remarkable Mr. King*.
- On May 31, 2019, the Company completed an agreement to amend and extend the terms of its existing credit facility with its bank group. Pursuant to the amendment, the term facility under the credit facility was adjusted from $2.1 billion to $1.8 billion, reflecting principal repayments made since the facility was last amended. Further details can be found in note 9 of the interim condensed consolidated financial statements.

## HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On June 3, 2019, the Company announced a new multi-channel television package STACKTV, featuring 12 of Corus' top-tier linear networks, as a part of Amazon's Prime Video Channels launch. Available to Prime members in Canada, STACKTV will house live and on-demand content from Global, Food Network Canada, HGTV Canada, W Network, HISTORY®, Adult Swim, Slice, Showcase, National Geographic, Teletoon, Treehouse and YTV.
- On June 3, 2019, the Company announced a new partnership with Complex Networks, a global media company with leading youth culture brands. Corus will serve as the exclusive ad sales partner for Complex Networks in Canada, license their content for use across linear and on demand platforms, jointly produce new original localized content and expand Complex's US event business to Canada. Corus also announced the extension of its partnership with Twitter, launching *Twitter Originals, fueled with so.da*, as well as the launch of *so.da originals*, a premium, short form social series to run across Corus' powerful portfolio of brands, across platforms; and the expansion of Kin Canada's offerings into a new male vertical.
- On June 5, 2019, the Company's Nelvana subsidiary announced a multi-faceted partnership with global character brand, LINE FRIENDS to develop a kids animated television series (52 x 11-minutes) that will be globally distributed by Nelvana (excluding Korea, Taiwan, Russia and the Commonwealth of Independent States).
- On June 21, 2019, the Canadian government concluded its parliamentary session before Bill S-228, an Act to Amend the *Food and Drugs Act* (prohibiting food and beverage marketing directed at children), received Royal Assent. Under the rules of parliamentary procedure, Bill S-228 died on the Order Paper before becoming law. Any similar future legislation would need to be re-introduced as a new bill and begin at the first stage of the legislative process.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and nine months ended May 31, 2019 is prepared at June 25, 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 third quarter of fiscal 2019 of $458.4 million increased 4% compared to $441.4 million in the prior year. On a consolidated basis, advertising revenues increased 8%, while both merchandising, distribution and other revenues and subscriber revenues decreased 4%, from the prior year. In the third quarter, revenues increased 5% in Television and decreased in Radio by 4%, compared to the prior year.

For the nine months ended May 31, 2019, consolidated revenues of $1,310.0 million increased 3% from $1,268.3 million in the prior year. On a consolidated basis, advertising revenues increased 6% while merchandising, distribution and other revenues decreased by 5%, and subscriber revenues decreased 2% from the prior year. For the nine 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 third quarter of fiscal 2019 of $287.9 million increased 6% from $271.0 million in the prior year. On a consolidated basis, employee costs increased 13%, direct cost of sales for the quarter were up 4%, 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 $1.0 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 $0.8 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, amortization of film investments, and other cost of sales. 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 short-term incentive accruals.

For the nine months ended May 31, 2019, direct cost of sales, general and administrative expenses of $834.7 million increased 3% from $807.2 million in the prior year. On a consolidated basis, employee costs increased 8% and direct cost of sales increased 2% from the prior year while other general and administrative expenses increased 1% from the prior year.

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

### SEGMENT PROFIT

Consolidated segment profit for the third quarter of fiscal 2019 was $170.5 million, which was consistent with $170.4 million in the prior year. Segment profit margin for the third quarter of fiscal 2019 was 37%, down from 39% in the prior year.

For the nine months ended May 31, 2019, consolidated segment profit was $475.3 million, which was up 3% from $461.1 million in the prior year. Segment profit margin of 36% for the nine months ended May 31, 2019 was consistent with the prior year.

Further analysis is provided in the discussion of segmented results.

### DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and nine months ended May 31, 2019 was $35.9 million and $145.0 million, respectively, an increase from $20.4 million and $62.0 million in the comparable periods in the prior year. The year-over-year increases for the three and nine months of $15.5 million and $83.0 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 nine months by approximately $16.7 million and $86.5 million, respectively, from the prior year, partially 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 May 31, 2019 was $28.2 million, which was down from $32.5 million in the prior year. The decrease results primarily from lower interest on bank debt due to lower debt levels and lower interest rate margin resulting from reduced leverage.

Interest expense for the nine months ended May 31, 2019 was $91.4 million, down from $96.3 million in the prior year. The decrease results from lower interest on bank debt of $2.1 million, $1.4 million of amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, and lower imputed interest of $1.3 million on long-term liabilities associated with program rights and trade marks. Interest on bank debt is lower due to lower debt levels, offset by higher interest rates 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.

The effective interest rate on bank loans for the three and nine months ended May 31, 2019 was 4.1 % and 4.4%, respectively, compared to 4.5% and 4.3% in the same comparable periods in the prior year. The decrease in the effective rate for the third quarter is due to a lower interest rate margin resulting from reduced leverage and the increase for the year-to-date was attributable to higher fixed interest rates on interest rate swaps as noted above, offset by a lower interest rate margin.

**BROADCAST LICENSE AND GOODWILL IMPAIRMENT**

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. In the third quarter of fiscal 2018, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2017, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio cash generating units ("CGUs"). As a result of these tests, the Company recorded a non-cash goodwill impairment charge of $1,000.0 million in the Television operating segment in the third quarter of fiscal 2018. No goodwill impairment was identified on the Radio operating segment CGU.

In addition, certain Radio markets had actual results and revised financial projections that fell short of previous fiscal 2018 estimates, indicating that interim broadcast license impairment testing was required. As a result of these tests, the Company recorded non-cash broadcast license impairment charges of $13.7 million in the Radio segment in the third quarter of fiscal 2018.

**GAIN ON DEBT MODIFICATION**

The gain on debt refinancing of $3.9 million in the third quarter of fiscal 2019 relates to the amendment of the Company's long-term credit facility agreements on May 31, 2019 (refer to note 9 of the interim condensed consolidated financial statements for further details).

**BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS**

For the three and nine months ended May 31, 2019, the Company incurred $2.3 million and $19.5 million, respectively, of business acquisition, integration and restructuring costs, compared to $5.3 million and $9.4 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, NET**

Other expense for the three month period ended May 31, 2019 was $4.2 million, compared to $1.0 million in the prior year. The increase in the quarter reflects higher net foreign exchange losses of $1.9 million, higher equity losses from associates of $0.2 million and increases of miscellaneous other expenses of $1.1 million, which includes a $0.3 million loss on the disposition of the Company's 50.5% interest in the Telelatino Network ("TLN"). The prior year period includes a net foreign exchange loss of $1.2 million and equity losses from associates of $0.5 million.

Other expense for the nine months ended May 31, 2019 was $11.9 million compared to $5.1 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 $0.9 million, and a net foreign exchange loss of $3.1 million, offset by income of $1.3 million from insurance proceeds, net of a $0.3 million loss on the disposition of TLN. The prior year includes a foreign exchange loss of $4.1 million and equity losses from associates of $1.3 million. On a year-to-date basis, the forward foreign exchange contracts resulted in an unrealized foreign exchange gain of $3.5 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 nine months ended May 31, 2019 were 29.1% and 28.0%, respectively. The difference between the statutory rate and the effective tax rate for the quarter ended May 31, 2019 resulted primarily from the Company's disposition of its interest in TLN. The effective income tax rate for the three and nine months ended May 31, 2018 were a negative 2.9% and a positive 10.0%, respectively. The significant differences between the statutory rates and effective tax rates result from the impairment recorded on goodwill in the television operating segment in the third quarter of the prior year.

## NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS (LOSS) PER SHARE

Net income attributable to shareholders for the third quarter of fiscal 2019 was $66.4 million ($0.31 per share basic), as compared to a net loss attributable to shareholders of $935.9 million ($4.49 loss per share basic) in the prior year. Net income attributable to shareholders for the third quarter of fiscal 2019 includes business acquisition, integration and restructuring costs of $2.3 million ($0.01 per share), a gain on debt modification of $3.9 million ($0.01 per share) and a loss on disposal of TLN of $0.3 million ($nil per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $66.1 million ($0.31 per share basic) in the quarter. Net loss attributable to shareholders for the third quarter of fiscal 2018 includes broadcast license and goodwill impairment charges of $1,013.7 million ($4.84 per share basic) and business acquisition, integration and restructuring costs of $5.3 million ($0.02 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $78.1 million ($0.37 per share basic) in the prior year quarter.

Net income attributable to shareholders for the nine months ended May 31, 2019 was $133.1 million ($0.63 per share basic), as compared to a net loss attributable to shareholders of $818.2 million ($3.94 loss per share basic) in the prior year. Net income attributable to shareholders for the first nine months of fiscal 2019 includes business acquisition, integration and restructuring costs of $19.5 million ($0.07 per share), an impairment on an investment in associates of $8.7 million ($0.03 per share), a gain on debt modification of $3.9 million ($0.01 per share), and a loss on the disposition of TLN of $0.3 million ($nil per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $153.1 million ($0.72 per share basic) for the current fiscal year. Net loss attributable to shareholders for the nine months ended May 31, 2018 includes broadcast license and goodwill impairment charges of $1,013.7 million ($4.87 per share basic), and business acquisition, integration and restructuring costs of $9.4 million ($0.03 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $198.9 million ($0.96 per share basic) for the prior year-to-date period.

The weighted average number of basic shares outstanding for both the three and nine months ended May 31, 2019 was 211,997,000, compared to 208,624,000 and 207,508,000, 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 May 31, 2019 was $24.0 million, compared to income of $4.6 million in the prior year. For the three months ended May 31, 2019, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $12.9 million, an actuarial loss on the remeasurement of post-employment benefit plans of $9.8 million, an unrealized loss from the change in fair value of financial assets of $1.7 million, offset by an unrealized gain from foreign currency translation adjustments of $0.4 million. In the prior year, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $5.0 million, an unrealized gain on foreign currency translation adjustments of $0.2 million, offset by an unrealized loss on the fair value of cash flow hedges of $0.5 million and an unrealized change in the fair value of financial assets of $0.1 million.

Other comprehensive loss for the nine months ended May 31, 2019 was $39.7 million, compared to income of $17.9 million in the prior year. For the nine months ended May 31, 2019, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $27.7 million, an actuarial loss on the remeasurement of post-employment benefit plans of $10.9 million, and an unrealized gain on the fair value of financial assets of $1.6 million, offset by an unrealized gain from foreign currency translation adjustments of $0.5 million. The prior year other comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $13.3 million, an unrealized gain from foreign currency translation adjustments of $0.6 million, and an actuarial gain on the remeasurement of post-employment benefit plans of $4.1 million, offset by an unrealized loss in the fair value of financial assets of $0.1 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 | May 31, | Nine months ended | May 31, |
|---|---|---|---|---|
| (thousands of Canadian dollars) | **2019** | 2018 | **2019** | 2018 |
| **Revenues** | | | | |
| Advertising | **279,393** | 254,664 | **772,708** | 717,071 |
| Subscriber fees | **121,096** | 126,164 | **373,419** | 379,427 |
| Merchandising, distribution and other | **20,992** | 22,162 | **55,010** | 58,178 |
| Total revenues | **421,481** | 402,990 | **1,201,137** | 1,154,676 |
| Expenses | **254,831** | 242,187 | **736,225** | 721,625 |
| Segment profit [1] | **166,650** | 160,803 | **464,912** | 433,051 |
| Segment profit margin[1] | **40%** | 40% | **39%** | 38% |

[1] As defined in the "Key Performance Indicators" section

Revenues in the third quarter of fiscal 2019 increased 5% from the prior year as a result of a 10% increase in advertising revenues, offset by a 4% decrease in subscriber revenues and a 5% decrease in merchandising, distribution and other revenues. The increase in advertising revenues continued to be driven by improved pricing flexibility and yield, on both Global and certain specialty channels, traction in ad tech, growth in digital advertising, and a focus on direct-to-consumer businesses. Advertising category gains came principally in the entertainment, telecommunications and food categories, offset by declines in the cosmetic, automotive and restaurant categories. The decrease in subscriber revenues was due to the divestiture of TLN on March 22, 2019, as well as lack of large distribution renewals this quarter. 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 revenues.

Revenues for the nine months ended May 31, 2019 increased 4% as a result of an 8% increase in advertising revenues, offset by a 2% decrease in subscriber revenues and a decrease in merchandising, distribution and other revenues of 5%. The increase in advertising revenues was driven by improved pricing flexibility and yield, with category gains in the entertainment, financial services and travel categories, offset by declines in the automotive, restaurant and cosmetic categories. The decrease in subscriber revenues is attributable to the divestiture of TLN in the current year, the shut-down of the Sundance Channel in the second quarter of the prior year, and one-time retroactive adjustments related to certain distributors that did not occur in the current year. Merchandising, distribution and other revenues decreased as a result of lower royalties and publishing revenues.

Expenses in the third quarter of fiscal 2019 increased by 5%. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were up 4% and general and administrative expenses increased 7% from the prior year. Amortization of program rights increased due to increased Canadian programming costs, partially offset by reduced Global foreign programming costs. The increase in film amortization is driven by increased deliveries on the production slate, while the increase in other costs of sales is principally driven by increased costs associated with certain sales initiatives. The increase in general and administrative expenses reflects increased accruals related to short-term variable compensation incentives and pension costs.

Total expenses for the nine months ended May 31, 2019 were up 2% from the prior year. Both direct cost of sales and general and administrative expenses increased 2%. The increase in direct cost of sales is principally driven by increased costs associated with certain sales initiatives, while amortization of program rights remained consistent with the prior year, with increased Global foreign programming costs offsetting reduced Canadian programming costs. The increase in general and administrative costs is attributable to increased accruals related to short-term variable compensation incentives and pension costs.

Segment profit[1] increased 4% in the third quarter of fiscal 2019 and 7% 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 40% and 39%, respectively, compared to 40% and 38%, for the comparable periods in the prior year.

For the Spring 2019 season-to-date, Global had nine programs in the Top 20 for Adults 25-54 and Women 25-54, with Survivor, *New Amsterdam* and *9-1-1* ranking in the Top 10, and *New Amsterdam* continuing to be the #1 new drama for both demos. In the third quarter, Corus owns 12 of the Top 20 Canadian Entertainment Specialty Channels for Adults 25-54, 13 of Corus' specialty programs are in the Top 20 for Adults 25-54 and 14 for Women 25-54 this spring. The top 7 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 Q3 weeks 27-39 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 Specialty Spring 2019 dates (December 31, 2018 - May 26, 2019 based on 3+ airings, excludes sports; English National Conventional Program Rankers based on Conventional Spring 2019 season-to-date (January 7, 2019 - June 2, 2019), 3+ airings, excludes NBA, NFL and NHL 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 | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| (thousands of Canadian dollars) | **2019** | 2018 | **2019** | 2018 |
| Revenues | **36,936** | 38,420 | **108,866** | 113,587 |
| Expenses | **27,168** | 26,973 | **81,131** | 81,736 |
| Segment profit[1] | **9,768** | 11,447 | **27,735** | 31,851 |
| Segment profit margin[1] | **26%** | 30% | **25%** | 28% |

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

Revenues decreased 4% in both the third quarter and year-to-date of fiscal 2019. The decline in advertising revenues in the quarter and year-to-date was driven primarily by the continuing lower demand from the automotive category and the media services categories, which was partially offset by improvements in the retail and entertainment categories. 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 up 1% in the third quarter of fiscal 2019, but down 1% year-to-date, reflecting a continued focus on cost containment and synergies with Global News.

Radio's segment profit[1] was down $1.7 million in the third quarter of fiscal 2019 and $4.1 million for the year-to-date. Segment profit margin[1] for the quarter and year-to-date was 26% and 25%, respectively, compared to 30% and 28% 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 | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| (thousands of Canadian dollars) | **2019** | 2018 | **2019** | 2018 |
| Share-based compensation | **999** | (949) | **3,711** | (6,054) |
| Other general and administrative costs | **4,896** | 2,778 | **13,627** | 9,889 |
| | **5,895** | 1,829 | **17,338** | 3,835 |

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 third quarter and nine months ended May 31, 2019 is due to the improvement in the Company's share price from August 31, 2018, partially offset by the change in the fair value of the total return swaps (refer to *Liquidity and Capital Resources* section of this report for further details on this swap arrangement). The prior year included recoveries in the third quarter and year-to-date of approximately $1.0 million and $6.1 million, respectively, resulting from a significant decline in the share price.

Other general and administrative costs in the third 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 short-term variable compensation incentive accruals.

## 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 May 31, 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)

| | | | | | Earnings (loss) per share | | |
|---|---|---|---|---|---|---|---|
| | Revenues | Segment profit [1] | Net income (loss) attributable to shareholders [1] | Adjusted net income attributable to shareholders [1] | Basic | Diluted | Adjusted basic |
| **2019** | | | | | | | |
| 3rd quarter | **458,417** | **170,523** | **66,378** | **66,077** | **$ 0.31** | **$ 0.31** | **$ 0.31** |
| 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 |

[1] As defined in "Key Performance Indicators".

### SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the third quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $16.7 million ($0.06 per share), business acquisition, integration and restructuring costs of $2.3 million ($0.01 per share) and a $0.3 million ($nil per share) loss on disposal of the Company's 50.5% interest in TLN, offset by a gain on debt modification of $3.9 million ($0.01 per share).

- 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).

## FINANCIAL POSITION

Total assets at May 31, 2019 were $4.8 billion compared to $4.9 billion at August 31, 2018. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2018.

On March 22, 2019, the Company sold its 50.5% interest in TLN. In accordance with IFRS 10 - *Consolidated Financial Statements*, as of the disposition date the carrying amounts associated with TLN have been removed from the statement of financial position and have been factored into the loss on disposal in these condensed consolidated financial statements. In addition, an adjustment has been made to remove the carrying amount of the non-controlling interest related to TLN in these interim condensed consolidated financial statements (refer to note 17 of the Company's interim condensed consolidated financial statements for the period ended May 31, 2019 for further discussion).

Current assets at May 31, 2019 were $543.9 million, up $36.4 million from August 31, 2018.

Cash and cash equivalents decreased by $25.6 million from August 31, 2018. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $63.2 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 $15.0 million from August 31, 2018 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased $29.7 million from August 31, 2018, primarily as a result of unrealized losses related to interest rate swaps and certain post employment benefit plans now being in a net liability position, an impairment charge related to an investment in associates and equity losses from associates, and the disposition of TLN, offset by unrealized net gains related to the fair value remeasurement of investments in venture funds and unrealized gains related to forward foreign exchange contracts. 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 $16.0 million from August 31, 2018 as a result of depreciation expense exceeding additions.

Program rights increased $4.4 million from August 31, 2018, as additions of acquired rights of $403.5 million were offset by amortization of $394.1 million and $5.0 million related to the disposition of TLN.

Film investments increased $9.5 million from August 31, 2018, as film additions (net of tax credit accruals) of $22.0 million were offset by film amortization of $12.4 million.

Intangibles decreased $108.6 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, as well as the disposition of TLN, offset by additions related to trade mark licenses, and KIN Canada intangibles acquired. Further discussion of the change in estimated useful lives can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Goodwill decreased $3.7 million from August 31, 2018, primarily as a result of the disposition of TLN.

Accounts payable and accrued liabilities increased $33.9 million from August 31, 2018, as a result of higher accrued dividends payable, program rights, trade marks, film production, and accrued liabilities. The increase in accrued liabilities relates primarily to increases in accounts payable, short-term compensation accruals, and unremitted sales taxes, offset by lower CRTC fees, capital asset purchases, unearned revenues, and other working capital accruals.

Provisions, including the long-term portion, at May 31, 2019 were $19.9 million compared to $19.0 million at August 31, 2018. The increase of $0.9 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 May 31, 2019 was $1,790.6 million compared to $1,983.9 million as at August 31, 2018. As at May 31, 2019, the $91.3 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next 12 months. During the nine months ended May 31, 2019, the Company repaid bank loans of $190.0 million and amortized $3.9 million of deferred financing charges.

Other long-term liabilities increased $22.1 million from August 31, 2018, primarily from increases in long-term program rights payable, adjustments to the fair value of interest rate swap derivatives, long-term employee obligations, and post employment benefit plan obligations, offset by decreases in trade marks payable, the long-term portion of tangible benefits, 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 increased by $1.6 million in the third quarter of fiscal 2019 and decreased $25.6 million in the nine months ended May 31, 2019. Free cash flow for the third quarter increased to $90.1 million and the year-to-date decreased to $216.4 million, from $87.8 million and $253.0 million, respectively, 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 nine months ended May 31, 2019 was $96.8 million and $228.5 million, respectively, compared to $92.9 million and $265.1 million in the comparable periods in the prior year. The increase in the current quarter of $3.9 million arises principally from lower cash flow from operations of $34.8 million, offset by higher cash provided by working capital of $38.7 million. The decrease in the year-to-date cash provided by operating activities of $36.6 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, higher spend in program rights of $22.6 million and film investments of $12.3 million, offset by lower cash used in working capital of $29.2 million.

Cash used by investing activities for the three and nine months ended May 31, 2019 was $0.1 million and $8.7 million, respectively, compared to $6.1 million and $14.2 million in the comparable periods in the prior year. In the current year-to-date, the Company had additions of property, plant, equipment and software intangibles of $11.6 million, paid $6.0 million for the acquisition of certain KIN Canada assets, and had net cash outflows of $3.7 million for intangibles, investments and other assets, offset by the proceeds from disposal, net of divested cash and prepaid revenue from certain service arrangements of $12.5 million for the sale of TLN. The prior year includes additions to property, plant and equipment of $7.3 million, offset by proceeds of $0.5 million on disposal of redundant land, and net cash outflows for intangibles, investments and other assets of $7.4 million.

Cash used in financing activities in the three and nine months ended May 31, 2019 was $95.2 million and $245.4 million, respectively, compared to $81.6 million and $258.9 million in the comparable periods in the prior year. In the current year-to-date, the Company repaid bank debt of $190.0 million, paid financing costs of $3.3 million to amend credit facilities, paid dividends of $48.8 million, and made capital lease payments of $3.2 million. In the prior year-to-date, the Company repaid bank debt of $81.5 million, paid financing costs of $4.1 million to amend the credit facilities, paid dividends of $170.0 million, and made capital lease payments of $3.5 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 May 31, 2019, the Company's leverage ratio was 2.92 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company has met its target of deleveraging below 3.0 times net debt to segment profit as at May 31, 2019, which has improved the Company's financial flexibility.

As at May 31, 2019, the Company had a net cash balance of $69.2 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 May 31, 2019, refer to note 9 of the Company's interim condensed consolidated financial statements.

**TOTAL CAPITALIZATION**

As at May 31, 2019, total capitalization was $3,457.8 million compared to $3,565.9 million at August 31, 2018, a decrease of $108.1 million. The decrease is primarily attributable to the decrease in the accumulated deficit and a decrease in cash of $25.6 million, offset by lower net debt resulting from the decrease in debt of $193.3 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 (loss) 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 May 31, 2019 was a liability of $8.1 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term liability and within interest expense, in the interim condensed consolidated statements of income (loss) (note 12).

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 May 31, 2019 was an asset of $7.3 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 condensed consolidated statements of income (loss) (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 | 91,264 | 25,048 | 52,576 | 13,640 | — |
| Contractual USD cash inflows | 73,600 | 20,200 | 42,400 | 11,000 | — |

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 May 31, 2019 was an asset of $2.8 million, which has been recorded in the interim consolidated statement of financial position as an asset in prepaid expenses and other assets and within employee expenses in the interim condensed consolidated statements of income (loss) (note 11).

## KEY PERFORMANCE INDICATORS

In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board ("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").

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| (thousands of Canadian dollars) | **2019** | 2018 | **2019** | 2018 |
| Cash provided by (used in): | | | | |
| Operating activities | **96,823** | 92,947 | **228,514** | 265,126 |
| Investing activities | **(56)** | (6,101) | **(8,730)** | (14,194) |
| | **96,767** | 86,846 | **219,784** | 250,932 |
| Add: cash used in business acquisitions and strategic investments [(1)] | **5,863** | 907 | **9,161** | 2,109 |
| Deduct: cash provided by business divestiture, net of divested cash [(2)] | **(12,529)** | — | **(12,529)** | — |
| **Free cash flow** | **90,101** | 87,753 | **216,416** | 253,041 |

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

[(2)] Disposition of TLN

## 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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| (thousands of Canadian dollars, except per share amounts) | **2019** | 2018 | **2019** | 2018 |
| **Net income (loss) attributable to shareholders** | **66,378** | (935,899) | **133,137** | (818,184) |
| **Adjustments, net of income tax:** | | | | |
| Impairment of investment in associates | **—** | — | **7,565** | — |
| Broadcast license and goodwill impairment charges | **—** | 1,010,061 | **—** | 1,010,061 |
| Gain on debt modification | **(2,856)** | — | **(2,856)** | — |
| Loss from disposition of TLN | **814** | — | **814** | — |
| Business acquisition, integration and restructuring costs | **1,741** | 3,950 | **14,417** | 7,000 |
| **Adjusted net income attributable to shareholders** | **66,077** | 78,112 | **153,077** | 198,877 |
| **Basic earnings (loss) per share** | **$0.31** | ($4.49) | **$0.63** | ($3.94) |
| **Adjustments, net of income tax:** | | | | |
| Impairment of investment in associates | **—** | — | **$0.03** | — |
| Broadcast license and goodwill impairment charges | **—** | $4.84 | **—** | $4.87 |
| Gain on debt modification | **($0.01)** | — | **($0.01)** | — |
| Loss from disposition of TLN | **—** | — | **—** | — |
| Business acquisition, integration and restructuring costs | **$0.01** | $0.02 | **$0.07** | $0.03 |
| **Adjusted basic earnings per share** | **$0.31** | $0.37 | **$0.72** | $0.96 |

## 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 May 31, 2019** | As at August 31, 2018 |
|---|---|---|
| Total bank loans, net of unamortized financing fees | **1,790,601** | 1,983,933 |
| Cash and cash equivalents | **(69,221)** | (94,801) |
| **Net debt** | **1,721,380** | 1,889,132 |

| (thousands of Canadian dollars) | As at May 31, 2019 | As at August 31, 2018 |
|---|---|---|
| Net debt (numerator) | **1,721,380** | 1,889,132 |
| Segment profit (denominator) [(1)] | **589,870** | 575,628 |
| **Net debt to segment profit** | **2.92** | 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 has been the following change in the risks or uncertainties facing the Company since that date.

### *PROPOSED PROHIBITIONS ON FOOD ADVERTISING TO CHILDREN*

On October 6, 2017, Bill S-228 (the "Bill"), an Act to Amend the *Food and Drugs Act* (proposed federal legislation that limits unhealthy food and beverage advertising directed at children), was tabled for First Reading in Parliament, subsequently moving forward. On September 19, 2018, the Bill passed Third Reading in the House of Commons, and was awaiting Royal Assent. Upon receipt of Royal Assent, the Bill would have become law, but would not come into force until two years after the date of Royal Assent. During the period that Parliament was considering the Bill, Health Canada conducted the process of drafting the regulations that would accompany the law. During the summer of 2018, Health Canada conducted a public consultation on its proposed regulatory approach. Corus participated in providing an industry response from the Canadian Association of Broadcasters on July 18, 2018. Health Canada held an information session on November 5, 2018 to provide further detail on the proposed draft regulations.

On June 21, 2019, the parliamentary session concluded before the Bill received Royal Assent. Under the rules of parliamentary procedure, the Bill thus died on the Order Paper before becoming law. Should the next government choose to proceed with similar legislation, it would have to re-introduce a new bill and begin at the first stage of the legislative process.

## IMPACT OF NEW ACCOUNTING POLICIES AND CHANGES IN ESTIMATES

The 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 May 31, 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 the 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 nine months ended May 31, 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 nine months ended May 31, 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 whether 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 an 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 the 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 recorded on a straight-line basis over the estimated useful life. For the three and nine months ended May 31, 2019, this has resulted in an additional $16.7 million and $86.5 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 nine months ended May 31, 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 May 31, 2019** | As at August 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **69,221** | 94,801 |
| Accounts receivable | **451,961** | 388,751 |
| Income taxes recoverable | **—** | 3,305 |
| Prepaid expenses and other assets | **22,759** | 20,723 |
| **Total current assets** | **543,941** | 507,580 |
| Tax credits receivable | **33,079** | 18,047 |
| Investments and other assets (note 4) | **52,513** | 82,213 |
| Property, plant and equipment | **215,214** | 231,192 |
| Program rights (note 5) | **542,795** | 538,357 |
| Film investments (note 6) | **52,968** | 43,424 |
| Intangibles (notes 3 and 7) | **1,903,523** | 2,012,086 |
| Goodwill | **1,383,958** | 1,387,652 |
| Deferred income tax assets | **70,238** | 62,403 |
| | **4,798,229** | 4,882,954 |
| **LIABILITIES AND EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **439,694** | 405,762 |
| Current portion of long-term debt (note 9) | **91,339** | 106,375 |
| Provisions (note 8) | **9,628** | 11,175 |
| Income taxes payable | **18,856** | — |
| **Total current liabilities** | **559,517** | 523,312 |
| Long-term debt (note 9) | **1,699,262** | 1,877,558 |
| Other long-term liabilities | **317,314** | 295,206 |
| Provisions (note 8) | **10,275** | 7,801 |
| Deferred income tax liabilities | **475,444** | 502,274 |
| **Total liabilities** | **3,061,812** | 3,206,151 |
| **EQUITY** | | |
| Share capital (note 10) | **830,477** | 2,330,477 |
| Contributed surplus | **1,512,604** | 12,119 |
| Accumulated deficit | **(770,635)** | (856,668) |
| Accumulated other comprehensive income | **17,081** | 36,460 |
| Total equity attributable to shareholders | **1,589,527** | 1,522,388 |
| Equity attributable to non-controlling interest (note 17) | **146,890** | 154,415 |
| **Total equity** | **1,736,417** | 1,676,803 |
| | **4,798,229** | 4,882,954 |

See accompanying notes

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

| (unaudited - in thousands of Canadian dollars, except per share amounts) | Three months ended May 31, 2019 | 2018 | Nine months ended May 31, 2019 | 2018 |
|---|---|---|---|---|
| Revenues | **458,417** | 441,410 | **1,310,003** | 1,268,263 |
| Direct cost of sales, general and administrative expenses (note 11) | **287,894** | 270,989 | **834,694** | 807,196 |
| Depreciation and amortization (note 3) | **35,899** | 20,432 | **145,028** | 62,022 |
| Interest expense (note 12) | **28,220** | 32,500 | **91,405** | 96,341 |
| Broadcast license and goodwill impairment | **—** | 1,013,692 | **—** | 1,013,692 |
| Gain on debt modification (note 9) | **(3,889)** | — | **(3,889)** | — |
| Business acquisition, integration and restructuring costs (note 8) | **2,309** | 5,285 | **19,537** | 9,368 |
| Other expense, net (note 13) | **4,171** | 1,002 | **11,929** | 5,083 |
| Income (loss) before income taxes | **103,813** | (902,490) | **211,299** | (725,439) |
| Income tax expense (note 14) | **30,168** | 26,253 | **59,158** | 72,584 |
| Net income (loss) for the period | **73,645** | (928,743) | **152,141** | (798,023) |
| | | | | |
| **Other comprehensive income (loss), net of income taxes:** | | | | |
| **Items that may be reclassified subsequently to income (loss):** | | | | |
| Unrealized foreign currency translation adjustment | **395** | 177 | **515** | 607 |
| Unrealized change in fair value of cash flow hedges | **(12,905)** | (459) | **(27,651)** | 13,260 |
| | **(12,510)** | (282) | **(27,136)** | 13,867 |
| **Items that will not be reclassified to income (loss):** | | | | |
| Unrealized change in fair value of financial assets | **(1,735)** | (118) | **(1,639)** | (118) |
| Actuarial gain (loss) on post-retirement benefit plans | **(9,766)** | 4,997 | **(10,942)** | 4,129 |
| | **(11,501)** | 4,879 | **(12,581)** | 4,011 |
| Other comprehensive income (loss), net of income taxes | **(24,011)** | 4,597 | **(39,717)** | 17,878 |
| **Comprehensive income (loss) for the period** | **49,634** | (924,146) | **112,424** | (780,145) |
| | | | | |
| **Net income (loss) attributable to:** | | | | |
| Shareholders | **66,378** | (935,899) | **133,137** | (818,184) |
| Non-controlling interest | **7,267** | 7,156 | **19,004** | 20,161 |
| | **73,645** | (928,743) | **152,141** | (798,023) |
| | | | | |
| **Comprehensive income (loss) attributable to:** | | | | |
| Shareholders | **42,367** | (931,302) | **93,420** | (800,306) |
| Non-controlling interest | **7,267** | 7,156 | **19,004** | 20,161 |
| | **49,634** | (924,146) | **112,424** | (780,145) |
| | | | | |
| **Earnings (loss) per share attributable to shareholders:** | | | | |
| Basic | **$0.31** | ($4.49) | **$0.63** | ($3.94) |
| Diluted | **$0.31** | ($4.49) | **$0.63** | ($3.94) |

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 (loss) | 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) | — | — | 133,137 | (39,717) | 93,420 | 19,004 | 112,424 |
| Dividends declared | — | — | (38,147) | — | (38,147) | (21,409) | (59,556) |
| Reduction of stated capital (note 10) | (1,500,000) | 1,500,000 | — | — | — | — | — |
| Actuarial loss on post-retirement benefit plans | — | — | (10,942) | 10,942 | — | — | — |
| Share-based compensation expense | — | 485 | — | — | 485 | — | 485 |
| Divestiture of subsidiary with a non-controlling equity interest (note 17) | — | — | — | — | — | (5,120) | (5,120) |
| **As at May 31, 2019** | **830,477** | **1,512,604** | **(770,635)** | **17,081** | **1,589,527** | **146,890** | **1,736,417** |

| (unaudited - in thousands of Canadian dollars) | Share capital | Contributed surplus | Retained earnings (accumulated deficit) | 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 (loss) | — | — | (818,184) | 17,878 | (800,306) | 20,161 | (780,145) |
| Dividends declared | — | — | (178,073) | — | (178,073) | (21,729) | (199,802) |
| Issuance of shares under dividend reinvestment plan | 29,185 | — | — | — | 29,185 | — | 29,185 |
| Issuance of shares under stock option plan | 85 | — | — | — | 85 | — | 85 |
| Actuarial gain on post-retirement benefit plans | — | — | 4,129 | (4,129) | — | — | — |
| Share-based compensation expense | — | 507 | — | — | 507 | — | 507 |
| Funding of equity interest | — | — | — | — | — | 50 | 50 |
| As at May 31, 2018 | 2,321,084 | 11,956 | (877,636) | 36,687 | 1,492,091 | 157,310 | 1,649,401 |

See accompanying notes

## CORUS ENTERTAINMENT INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | May 31, | Nine months ended | May 31, |
|---|---|---|---|---|
| (unaudited - in thousands of Canadian dollars) | **2019** | 2018 | **2019** | 2018 |
| **OPERATING ACTIVITIES** | | | | |
| Net income (loss) for the period | **73,645** | (928,743) | **152,141** | (798,023) |
| Adjustments to reconcile net income (loss) to cash flow from operations: | | | | |
| Amortization of program rights (notes 5 and 11) | **137,002** | 134,259 | **394,130** | 393,334 |
| Amortization of film investments (notes 6 and 11) | **6,059** | 4,362 | **12,444** | 10,217 |
| Depreciation and amortization (note 3) | **35,899** | 20,432 | **145,028** | 62,022 |
| Broadcast license and goodwill impairment | **—** | 1,013,692 | **—** | 1,013,692 |
| Deferred income taxes (recovery) | **821** | 11,641 | **(19,126)** | 11,739 |
| Impairment of investment in associate (notes 4 and 13) | **—** | — | **8,720** | — |
| Share-based compensation expense | **238** | 151 | **485** | 507 |
| Imputed interest (note 12) | **10,325** | 10,452 | **31,990** | 33,330 |
| Gain on debt modification (note 9) | **(3,889)** | — | **(3,889)** | — |
| Proceeds from termination of interest rate swap (note 9) | **—** | — | **—** | 24,644 |
| Payment of program rights | **(157,264)** | (133,073) | **(394,068)** | (371,442) |
| Net spend on film investments | **(14,847)** | (10,646) | **(43,232)** | (30,927) |
| CRTC benefit payments | **(312)** | (376) | **(1,223)** | (1,273) |
| Other | **(2,893)** | (2,546) | **(6,701)** | (5,274) |
| Cash flow from operations | **84,784** | 119,605 | **276,699** | 342,546 |
| Net change in non-cash working capital balances related to operations | **12,039** | (26,658) | **(48,185)** | (77,420) |
| **Cash provided by operating activities** | **96,823** | 92,947 | **228,514** | 265,126 |
| **INVESTING ACTIVITIES** | | | | |
| Additions to property, plant and equipment | **(5,418)** | (2,338) | **(11,578)** | (7,297) |
| Proceeds from sale of property | **—** | — | **—** | 545 |
| Business divestiture, net of divested cash (note 17) | **12,529** | — | **12,529** | — |
| Business acquisition (note 17) | **(6,011)** | — | **(6,011)** | — |
| Net cash flows for intangibles, investments and other assets | **(1,156)** | (3,763) | **(3,670)** | (7,442) |
| **Cash used in investing activities** | **(56)** | (6,101) | **(8,730)** | (14,194) |
| **FINANCING ACTIVITIES** | | | | |
| Decrease in bank loans | **(72,425)** | (26,724) | **(189,973)** | (81,451) |
| Deferred financing costs | **(3,342)** | — | **(3,342)** | (4,088) |
| Issuance of shares under stock option plan | **—** | — | **—** | 85 |
| Dividends paid | **(12,715)** | (48,853) | **(25,432)** | (148,220) |
| Dividends paid to non-controlling interest | **(6,245)** | (5,541) | **(23,408)** | (21,729) |
| Other | **(469)** | (444) | **(3,209)** | (3,530) |
| **Cash used in financing activities** | **(95,196)** | (81,562) | **(245,364)** | (258,933) |
| Net change in cash and cash equivalents during the period | **1,571** | 5,284 | **(25,580)** | (8,001) |
| Cash and cash equivalents, beginning of the period | **67,650** | 80,416 | **94,801** | 93,701 |
| **Cash and cash equivalents, end of the period** | **69,221** | 85,700 | **69,221** | 85,700 |

Supplemental cash flow disclosures (note 16)

See accompanying notes

## 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 nine months ended May 31, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on June 25, 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

#### *INTANGIBLES*

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 recorded on a straight-line basis over the estimated useful life. For the three and nine months ended May 31, 2019, this has resulted in an additional $16.7 million and $86.5 million, respectively, in amortization expense in the depreciation and amortization line within the consolidated statements of income (loss) 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 nine months ended May 31, 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 (loss). 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 (loss).

***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 (loss). 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, provisions, 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 (loss) 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 whether they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are recorded separately in the consolidated statements of financial position unless there is a legal right to offset and an 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 the 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 expense (income), net line item on the interim condensed consolidated statements of income (loss) 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 |
| Net decrease | (264) | (31,565) | (31,829) |
| Impairment of investment in associate (note 13) | (8,720) | — | (8,720) |
| **Balance – May 31, 2019** | **16** | **52,497** | **52,513** |

## 5. PROGRAM RIGHTS

| | |
|---|---|
| Balance – August 31, 2018 | 538,357 |
| Net additions | 403,544 |
| Disposition (note 17) | (4,976) |
| Amortization | (394,130) |
| **Balance – May 31, 2019** | **542,795** |

## 6. FILM INVESTMENTS

| | |
|---|---|
| Balance – August 31, 2018 | 43,424 |
| Net additions | 21,988 |
| Amortization | (12,444) |
| **Balance – May 31, 2019** | **52,968** |

(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 | — | 11,956 | 3,693 | 15,649 |
| Acquisitions (note 17) | — | — | 3,005 | 3,005 |
| Disposition (note 17) | (7,424) | — | — | (7,424) |
| Amortization | — | (111,387) | (8,406) | (119,793) |
| **Balance – May 31, 2019** | **963,773** | **926,158** | **13,592** | **1,903,523** |

[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 $16.7 million and $86.5 million in amortization expense in the three and nine months ended May 31, 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 | 8,451 | 5,429 | 3,000 | (389) | 16,491 |
| Interest | — | 243 | 126 | — | 369 |
| Payments | (13,992) | (716) | (1,225) | — | (15,933) |
| **Balance – May 31, 2019** | **6,119** | **4,956** | **8,632** | **196** | **19,903** |
| | | | | | |
| Current | 5,830 | 960 | 2,642 | 196 | 9,628 |
| Long-term | 289 | 3,996 | 5,990 | — | 10,275 |
| **Balance – May 31, 2019** | **6,119** | **4,956** | **8,632** | **196** | **19,903** |

In the nine months ended May 31, 2019, the Company recorded restructuring costs associated with employee exits of $8.5 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

| | **May 31, 2019** | August 31, 2018 |
|---|---|---|
| Bank loans | **1,808,663** | 1,998,684 |
| Unamortized financing fees | **(18,062)** | (14,751) |
| | **1,790,601** | 1,983,933 |
| Less: current portion of bank loans | **(91,339)** | (106,375) |
| | **1,699,262** | 1,877,558 |

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at May 31, 2019, the weighted average interest rate on outstanding bank loans was 4.0% (2018 – 4.5%). Interest on the bank loans averaged 4.1% and 4.4% for the three and nine months ended May 31, 2019, respectively (2018 – 4.5% and 4.3%).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit Agreement dated April 1, 2016 (the "Facility") as amended from time-to-time. 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 May 31, 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.

Effective May 31, 2019, the Company's credit agreement with a syndicate of banks was amended. The principal amendment effected was the extension of the maturity for the Term Facility and the Revolving Facility. The amendment was accounted for as a debt modification in accordance with IFRS 9, resulting in a $3.9 million gain on debt modification in the interim condensed consolidated statements of income (loss) and comprehensive income (loss). The gain resulted from the change in the net present value of the future modified cash flows compared to the net present value of the original cash flows at the time of closing the amendment, using the effective interest rate prior to the modification. In connection with the amendment, the Company incurred $3.3 million of deferred financing costs, which have reduced the carrying value of the modified Term Facility. The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Term Facility with the accretion recognized within Interest expense on the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

***Term Facility***

The Term Facility, as at May 31, 2019 is comprised of three tranches, with the first tranche in the amount of $647.1 million and having a maturity date of May 31, 2024, the second tranche in the amount of $879.7 million and having a maturity date of May 31, 2023, and the third tranche in the amount of $300.0 million and having a maturity date 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 Revolving Facility as at May 31, 2019 matures on May 31, 2023. 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 May 31, 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 (loss) 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 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 May 31, 2019 was a liability of $8.1 million (August 31, 2018 – $23.2 million), which has been recorded in the interim consolidated statements of financial position as a long-term liability. 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 May 31, 2019 was an asset of $2.8 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 (loss) 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 May 31, 2019 was an asset of $7.3 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 (loss) 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 | 91,264 | 25,048 | 52,576 | 13,640 | — |
| Contractual USD cash inflows | 73,600 | 20,200 | 42,400 | 11,000 | — |

## 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 | — |
| Reduction of stated capital [1] | — | (17,000) | — | (1,483,000) | (1,500,000) |
| **Balance – May 31, 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 (LOSS) PER SHARE

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

| | Three months ended **May 31,** | | Nine months ended **May 31,** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| **Net income (loss) attributable to shareholders (numerator)** | **66,378** | (935,899) | **133,137** | (818,184) |
| **Weighted average number of shares outstanding (denominator)** | | | | |
| Weighted average number of shares outstanding – basic | **211,997** | 208,624 | **211,997** | 207,508 |
| Effect of dilutive securities | **229** | — | **—** | — |
| **Weighted average number of shares outstanding - diluted** | **212,226** | 208,624 | **211,997** | 207,508 |

The calculation of diluted earnings (loss) per share for the three and nine months ended May 31, 2019 excluded 4,956 and 5,377 respectively (2018 – 6,320 and 6,386, respectively) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

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

### 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:

| | **May 31, 2019** | August 31, 2018 |
|---|---|---|
| Outstanding employee stock options | **6,102,200** | 6,057,375 |
| Exercisable employee stock options | **2,658,825** | 3,021,550 |
| Outstanding PSUs | **1,844,939** | 1,424,404 |
| Outstanding DSUs | **1,517,993** | 1,206,809 |
| Outstanding RSUs | **833,198** | 517,392 |

Share-based compensation expense recorded for the third quarter and year-to-date of fiscal 2019 in respect of these plans was $999 and $3,711, respectively (2018 – recovery of $949 and $6,054, respectively). As at May 31, 2019, the carrying value of the liability for PSU, DSU and RSU units was $11,342 (August 31, 2018 – $4,912).

## 11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| | **2019** | 2018 | **2019** | 2018 |
| **Direct cost of sales** | | | | |
| Amortization of program rights (note 5) | **137,002** | 134,259 | **394,130** | 393,334 |
| Amortization of film investments (note 6) | **6,059** | 4,362 | **12,444** | 10,217 |
| Other cost of sales | **9,125** | 7,868 | **24,579** | 19,713 |
| **General and administrative expenses** | | | | |
| Employee costs (note 9) | **83,078** | 73,800 | **242,592** | 225,234 |
| Other general and administrative | **52,630** | 50,700 | **160,949** | 158,698 |
| | **287,894** | 270,989 | **834,694** | 807,196 |

## 12. INTEREST EXPENSE

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| | **2019** | 2018 | **2019** | 2018 |
| Interest on long-term debt (note 9) | **19,251** | 23,227 | **63,897** | 66,024 |
| Imputed interest on long-term liabilities | **10,325** | 10,452 | **31,990** | 33,330 |
| Amortization of deferred gain on settled interest rate swap (note 9) | **(1,769)** | (2,441) | **(6,349)** | (4,943) |
| Other | **413** | 1,262 | **1,867** | 1,930 |
| | **28,220** | 32,500 | **91,405** | 96,341 |

## 13. OTHER EXPENSE (INCOME), NET

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| | **2019** | 2018 | **2019** | 2018 |
| Foreign exchange loss | **3,072** | 1,202 | **3,142** | 4,125 |
| Equity loss of associates | **658** | 463 | **924** | 1,256 |
| Impairment of investment in associate (note 4) | **—** | — | **8,720** | — |
| Other expense (income) (note 9) | **441** | (663) | **(857)** | (298) |
| | **4,171** | 1,002 | **11,929** | 5,083 |

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

## 14. INCOME TAXES

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

| | | | Nine months ended | |
|---|---|---|---|---|
| | | | | **May 31,** |
| | | **2019** | | 2018 |
| | **$** | **%** | $ | % |
| Income tax at combined federal and provincial rates | **56,214** | **26.6%** | (192,340) | 26.5% |
| Loss (income) subject to tax at less than statutory rates | **45** | **—%** | (258) | —% |
| Non-deductible/(taxable) portion of capital losses/(gains) | **1,739** | **0.8%** | (52) | —% |
| Impact of valuation allowance recorded against future income tax assets in year | **116** | **0.1%** | — | —% |
| Goodwill impairment | **—** | **—%** | 265,136 | (36.5%) |
| Transaction costs | **(222)** | **(0.1%)** | (257) | —% |
| Increase of various tax reserves | **267** | **0.1%** | 367 | —% |
| Miscellaneous differences | **999** | **0.5%** | (12) | —% |
| | **59,158** | **28.0%** | 72,584 | (10.0%) |

## 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.

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.

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

### REVENUES AND SEGMENT PROFIT

| **Three months ended May 31, 2019** | **Television** | **Radio** | **Corporate** | **Consolidated** |
|---|---|---|---|---|
| Revenues | **421,481** | **36,936** | **—** | **458,417** |
| Direct cost of sales, general and administrative expenses | **254,831** | **27,168** | **5,895** | **287,894** |
| **Segment profit (loss)** | **166,650** | **9,768** | **(5,895)** | **170,523** |
| Depreciation and amortization | | | | **35,899** |
| Interest expense | | | | **28,220** |
| Gain on debt modification | | | | **(3,889)** |
| Business acquisition, integration and restructuring costs | | | | **2,309** |
| Other expense, net | | | | **4,171** |
| **Income before income taxes** | | | | **103,813** |

| Three months ended May 31, 2018 | Television | Radio | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | 402,990 | 38,420 | — | 441,410 |
| Direct cost of sales, general and administrative expenses | 242,187 | 26,973 | 1,829 | 270,989 |
| **Segment profit (loss)** | 160,803 | 11,447 | (1,829) | 170,421 |
| Depreciation and amortization | | | | 20,432 |
| Interest expense | | | | 32,500 |
| Broadcast license and goodwill impairment | | | | 1,013,692 |
| Business acquisition, integration and restructuring costs | | | | 5,285 |
| Other expense, net | | | | 1,002 |
| **Loss before income taxes** | | | | (902,490) |

| **Nine months ended May 31, 2019** | **Television** | **Radio** | **Corporate** | **Consolidated** |
|---|---|---|---|---|
| Revenues | **1,201,137** | **108,866** | **—** | **1,310,003** |
| Direct cost of sales, general and administrative expenses | **736,225** | **81,131** | **17,338** | **834,694** |
| **Segment profit (loss)** | **464,912** | **27,735** | **(17,338)** | **475,309** |
| Depreciation and amortization | | | | **145,028** |
| Interest expense | | | | **91,405** |
| Gain on debt modification | | | | **(3,889)** |
| Business acquisition, integration and restructuring costs | | | | **19,537** |
| Other expense, net | | | | **11,929** |
| **Income before income taxes** | | | | **211,299** |

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

| Nine months ended May 31, 2018 | Television | Radio | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | 1,154,676 | 113,587 | — | 1,268,263 |
| Direct cost of sales, general and administrative expenses | 721,625 | 81,736 | 3,835 | 807,196 |
| **Segment profit (loss)** | 433,051 | 31,851 | (3,835) | 461,067 |
| Depreciation and amortization | | | | 62,022 |
| Interest expense | | | | 96,341 |
| Broadcast license and goodwill impairment | | | | 1,013,692 |
| Business acquisition, integration and restructuring costs | | | | 9,368 |
| Other expense, net | | | | 5,083 |
| **Loss before income taxes** | | | | (725,439) |

Revenues are derived from the following areas:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| | **2019** | 2018 | **2019** | 2018 |
| Advertising | **314,162** | 291,040 | **875,781** | 824,914 |
| Subscriber fees | **121,096** | 126,164 | **373,419** | 379,427 |
| Merchandising, distribution and other | **23,159** | 24,206 | **60,803** | 63,922 |
| | **458,417** | 441,410 | **1,310,003** | 1,268,263 |

## 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 | | Nine months ended | |
|---|---|---|---|---|
| | | **May 31,** | | **May 31,** |
| | **2019** | 2018 | **2019** | 2018 |
| Interest paid | **19,203** | 24,422 | **65,300** | 68,122 |
| Interest received | **484** | 491 | **1,191** | 809 |
| Income taxes paid | **19,458** | 23,351 | **54,697** | 48,330 |

## 17. BUSINESS COMBINATIONS AND DIVESTITURES

**Disposition of 50.5% interest in TLN**

On March 22, 2019, the Company sold its 50.5% interest in TLN, a subsidiary, to TLN Media Group Inc. and entered into a long-term services agreement with TLN Media group for cash consideration of $19.0 million, which was received upon closing. Proceeds of $2.6 million were recorded as deferred revenue related to the long-term services agreement. The carrying value of net identifiable assets disposed of amounted to $16.1 million as at March 22, 2019, resulting in a loss on disposal of $0.3 million. In addition, an adjustment has been made to the carrying amounts of the non-controlling interests in these interim condensed consolidated financial statements related to the disposition of the Company's equity interest to reflect the disposition.

The results of the operations of TLN were included in the Television segment until March 22, 2019.

**Acquisition of 100% interest in KIN Canada**

On April 1, 2019, the Company acquired certain assets of KIN Canada for cash consideration of $6.0 million. The net identifiable assets of KIN Canada were comprised of $3.0 million of intangible assets and $3.0 million of goodwill.