First Quarter 2017
Report to Shareholders

For the Three Months Ended November 30, 2016
(Unaudited)

CORUS ENTERTAINMENT INC.
First Quarter 2017 Report to Shareholders

Table of Contents

Highlights

Financial Highlights

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

(in thousands of Canadian dollars except per share amounts)	Three months ended November 30, 2016	2015
Revenues		
Television	**425,564**	183,718
Radio	**42,417**	44,600
	467,981	228,318
Segment profit[1]		
Television	**184,421**	88,035
Radio	**13,286**	12,803
Corporate	**(5,721)**	(4,960)
	191,986	95,878
Net income attributable to shareholders	**71,146**	41,320
Adjusted net income attributable to shareholders[1] [2]	**80,826**	42,484
Basic earnings per share	**$ 0.36**	$ 0.47
Adjusted basic earnings per share[1] [2]	**$ 0.41**	$ 0.49
Diluted earnings per share	**$ 0.36**	$ 0.47
Free cash flow[1]	**33,909**	34,537

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

(2) For the three months ended November 30, 2016, adjusted net income and adjusted basic earnings per share attributable to shareholders excludes business acquisition, integration and restructuring charges of $13.2 million ($0.05 per share). For the three months ended November 30, 2015, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of $2.4 million ($0.03 per share) and includes notional amortization of certain Pay TV assets reclassified as held for disposal of $1.4 million ($0.01 per share).

Significant Events in the Quarter

- On September 1, 2016, the Company's Global News announced its flagship newscast, *Global National*, would be expanding to four additional television stations including CKSA, a Newfoundland Capital Corporation Limited owned television station in Lloydminster, as well as Corus-owned stations CKWS Kingston, CHEX Peterborough and Channel 12 Durham.
- On September 6, 2016, the Company announced a newly refreshed Treehouse App, available on iPhone, iPad, iPod and now Apple TV. The App offers users over 1,500 episodes of favourite kids series including *Babar*, *Dora the Explorer*, *The Backyardigans* and *Franklin and Friends*.
- On September 11, 2016, the Company's Edmonton radio station, 103.9 CISN COUNTRY (CISN-FM), was recognized as Radio Station of the Year (Large Market) at the 2016 Canadian Country Music Association Awards. *CISN in the Mornings with Chris, Jack & Mat* also tied for On-Air Personalities of the Year (Large Market).
- On September 19, 2016, the Company announced multiple new international content deals for three of its original series. With this expanded worldwide presence, *Masters of Flip* is now available in more than 90 territories; *Buying the View* is now available in more than 60 territories; and *Cheer Squad* has expanded into Australia.
- On September 21, 2016, the Company announced the continued growth of its original content portfolio with three unscripted, lifestyle series for international sale at MIPCOM, including *Home to Win* (10×60), *Backyard Builds* (8×30) and *$ave My Reno* (14×30).
- On September 26, 2016, the Canadian Radio-television and Telecommunications Commission called for comments on its proposal to merge the regulations for specialty and pay television services into a single set of regulations, to be known as the Discretionary Services Regulations. The deadline for public comment was October 31, 2016.
- On September 28, 2016, the Company and many of Canada's leading radio broadcasters joined forces with Radioplayer, a UK-based digital radio streaming service, to bring Canadians free, easily accessible digital radio on any connected device. Launching in the coming months, Radioplayer will give Canadians immediate access to their favourite English and French entertainment, news, sports and talk radio stations powered by 15 Canadian radio broadcasters.
- On September 30, 2016, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.
- On October 4, 2016, the Company's Global TV became the most-watched network in prime time for premiere week. The Network's core prime time audience has grown year-over-year across all key demos including: 14% (2+), 3% (A18-34), 7% (A18-49), and 9% (A25-54). Global also claimed 3 of the top 5 new series with *Bull*, *MacGyver* and *Kevin Can Wait* grabbing top spots across all key demos.
- On October 6, 2016, the Company's subsidiary Nelvana announced deals with 10 new consumer products partners in France for the hit animated series *Super Wings*, including AD Global for toys and Canal Toys for arts & crafts. Nelvana also holds the merchandise licensing rights for the popular series in North America, where it represents *Super Wings* in all categories except toys.
- On October 11, 2016, the Company announced that its seven leading news talk radio stations are available to audiences free on Apple Music, making Corus Radio the first Canadian commercial radio company available on the platform.
- On October 13, 2016, the Company's subsidiary Nelvana Enterprises extended the popular Shopkins brand with new marketing and licensing partners including a campaign with McDonald's restaurants in France and Monaco. In addition, in partnership with Moose Toys, Nelvana named Megalicense International as sub-agent for Russia, the Commonwealth of Independent States, Ukraine, and the Baltic nations: Estonia, Latvia and Lithuania.
- On October 17, 2016, the Company's Nelvana subsidiary entered into a partnership with Sesame Workshop to produce *Esme and Roy* (working title), a new animated children's series that teaches the importance of mindfulness and learning through play. The series will debut on HBO in the U.S. and then on Corus' Treehouse in Canada.

- On October 19, 2016, the Company's Nelvana subsidiary announced an exciting brand refresh featuring a new logo and a slate of highly anticipated new series in development including *Hotel Transylvania: The Series*, *Bravest Warriors*, *Mysticons* and *Esme and Roy*.
- On October 31, 2016, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.
- On November 1, 2016, the Company's Nelvana subsidiary announced that it had expanded its relationship with SUPER RTL, Germany's leading children's broadcaster, to bring a trio of live-action and animated kids' series – *Hotel Transylvania: The Series* (slated to launch in 2018), *Ranger Rob* (premiere early 2017) and *Stanley Dynamic* – to viewers across Germany.
- On November 7, 2016, the Company was recognized as one of Canada's Top 100 Employers for 2017 by MediaCorp Canada Inc. and The Globe and Mail. This is the third consecutive year that Corus has made this list as a company which recognizes employee contributions through a variety of internal awards, encourages long-term career development and provides staff with a state-of-the-art head office facility.
- On November 10, 2016, the Company announced the launch of HISTORY VAULT™, HISTORY®'s direct-to-consumer subscription video on demand service. Now available in Canada on iPhone, iPad, and Apple TV, HISTORY VAULT features hundreds of hours of content within the HISTORY library, including series, documentaries, and specials, without commercial interruptions for CAD $5.49 per month.
- On November 16, 2016, the Company, along with other founding members 9 Story, Blue Ant Media, Cineflix Media, DHX Media and eOne/Les Films Séville, announced the formation of The Canadian Association of Content Exporters – Association Canadienne des Exportateurs de Contenu (CACE-ACEC).
- During the weeks of November 22 and 28, 2016, the Company participated in the public hearing phases of the CRTC group licensing process for all of the Corus television licences, and written submissions were completed by January 6, 2017. An approval decision is expected in spring 2017 for new licence terms that commence on September 1, 2017.
- On November 25, 2016, the Company filed submissions with the Department of Canadian Heritage pursuant to the Minister's review of cultural policy.
- On November 28, 2016, the Company's Nelvana subsidiary announced it would be extending its global consumer products program for its popular animated preschool series *Little Charmers* with 10 new industry-leading partners featuring a range of products including puzzles, games, sticker albums, bubble toys and seasonal foods.
- On November 28, 2016, the Company's President and CEO, Doug Murphy, was recognized as one of Toronto Life's 50 Most Influential People for 2016, for his leadership of one of Canada's largest media and content companies.
- On November 30, 2016, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On December 12, 2016, the Company launched Cooking Channel Canada, a 24-hour network that caters to avid food lovers featuring exclusive programming with well-known celebrity cooks, unconventional how-tos, food exploration and much more. The Cooking Channel Canada expands Corus' strong presence in the food and lifestyle genre.
- On December 12, 2016, the Company was recognized as one of Greater Toronto's Top Employers for 2017 by MediaCorp Canada Inc. and The Globe and Mail. This is the seventh consecutive year that Corus has made this list as a company which recognizes Greater Toronto employers for making their employees feel welcome and valued in the workplace, and for offering progressive and forward-thinking programs.
- On December 30, 2016, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months ended November 30, 2016 is prepared at December 31, 2016. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2016 Annual Report and the consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

Cautionary statement regarding forward-looking statements

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

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

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

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

Overview of Consolidated Results

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

For fiscal 2016, certain of Corus' Pay Television business' ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The Company's business activities are conducted through two operating segments, Television and Radio. The disposal group, Pay TV, was not a separate operating segment, but was included as part of the Television operating segment. Accordingly, the disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remained in continuing operations in the consolidated statement of income and comprehensive income for the year ended August 31, 2016. However, intangible assets classified as held for disposal ceased being amortized effective November 19, 2015 and as a consequence, amortization of program and film rights in the Television segment for the three months ended November 30, 2015 is lower, by approximately $1.4 million, than it would have been had amortization on these assets not ceased. On February 29, 2016, the Pay TV disposition was completed and the related proceeds and gain associated with this disposal group were recognized (refer to note 27 of the Company's audited annual consolidated financial statements for the year ended August 31, 2016, filed on SEDAR, for further details).

These transactions contributed to the significant year-over-year variances in the consolidated operating results for the first quarter of fiscal 2017, as the first quarter of the prior year includes the operating results of the Pay TV business but does not include the operating results of the Shaw Media business. In the prior year's quarter, the Shaw Media business generated revenues and segment profit of $294.5 million and $118.1 million, respectively, while the Pay TV business generated revenues and segment profit of $31.4 million and $15.3 million, respectively.

Revenues

Consolidated revenues for the first quarter of fiscal 2017 of $468.0 million increased 105% compared to $228.3 million in the prior year. On a consolidated basis, advertising revenues and subscriber revenues increased 172%, and 45%, respectively, while merchandising, distribution and other revenues decreased 19%. Revenues increased in Television by 132%, but decreased in Radio by 5% in the first quarter compared to the prior year. The significant increase in revenues is mainly attributable to the Acquisition, offset by the shutdown of the Pay TV business, as discussed above, as well as a decrease in the Radio revenues. On a pro forma basis, including Shaw Media and excluding Pay TV for the first quarter last year, total revenues declined 5% compared to the prior year.

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

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the first quarter of fiscal 2016 of $276.0 million increased 108% from $132.4 million in the prior year. On a consolidated basis, direct cost of sales increased 118%, other general and administrative expenses increased by 83% and employee costs increased by 113%. In the prior year, direct cost of sales excluded amortization of disposed Pay TV program and film rights of $1.4 million that were part of the disposal group.

The significant increase in direct cost of sales, general and administrative expenses in the three months ended November 30, 2016 is mainly attributable to the Acquisition, offset by the shutdown of the Pay TV business as discussed above.

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

Segment profit

Consolidated segment profit for the first quarter of fiscal 2017 was $192.0 million, an increase of 100% from $95.9 million last year. On a pro forma basis, including Shaw Media and excluding Pay TV for the first quarter last year, segment profit declined 3% compared to the prior year.

Segment profit margin for the first quarter of fiscal 2017 was 41%, consistent with the prior year and up from 40% on a pro forma basis.

Further analysis is provided in the discussion of segmented results.

Depreciation and amortization

Depreciation and amortization expense for the first quarter of fiscal 2017 was $22.5 million, an increase from $11.0 million in the prior year. The increase in the quarter arises from incremental depreciation and amortization associated with property, plant and equipment, and intangible assets acquired as a result of the Acquisition.

Interest expense

Interest expense for the three months ended November 30, 2016 was $39.7 million, up from $18.9 million in the prior year. The increase is due to higher interest on long-term debt and imputed interest costs. The increase in interest on long-term debt of $18.0 million in the quarter is attributable to increased bank debt associated with financing the Acquisition. The increase in imputed interest costs of $2.7 million in the quarter is attributable to incremental long-term obligations assumed with the Acquisition.

The effective interest rate on bank loans and notes for the first quarter of fiscal 2017 ended November 30, 2016 was 4.7% compared to 4.2% in the prior year. The higher effective rates for the first quarter is attributable to the Company’s syndicated senior secured credit facilities established April 1, 2016 in connection with the Acquisition and the resulting higher leverage.

Business acquisition, integration and restructuring costs

For the three months ended November 30, 2016, the Company incurred $13.2 million of business integration and restructuring costs compared to $2.4 million in the prior year. The current year costs were attributable to costs relating to ongoing integration activities, as well as an onerous premise lease provision of approximately $8.0 million for the previous Shaw Media offices in Toronto, which were fully vacated during the quarter.

Other expense, net

Other expense for the three months ended November 30, 2016 was $6.8 million, compared to $3.9 million in the prior year. The increase results primarily from foreign exchange losses.

Income tax expense

The effective tax rate for the three months ended November 30, 2016 was consistent with the Company's 26.5% statutory rate and the prior year.

Net income attributable to shareholders and earnings per share

Net income attributable to shareholders for the first quarter of fiscal 2017 was $71.1 million ($0.36 per share), as compared to $41.3 million ($0.47 per share) in the prior year. Net income attributable to shareholders for the current fiscal quarter includes business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $80.8 million ($0.41 per share basic) in the quarter. Net income attributable to shareholders for the prior year quarter includes business acquisition, integration and restructuring costs of $2.4 million ($0.03 per share), but excludes $1.4 million ($0.01 per share) of amortization of certain assets reclassified in the quarter as held for disposal. Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $42.5 million ($0.49 per share basic) for the prior year quarter.

The weighted average number of basic shares outstanding for the three months ended November 30, 2016, was 197,300,000. The number of shares outstanding increased from the issuance of shares from treasury under the Company's dividend reinvestment plan.

Other comprehensive income (loss), net of tax

Other comprehensive income for the three months ended November 30, 2016 was $20.5 million, compared to $0.4 million in the prior year. For the three months ended November 30, 2016, comprehensive income includes an unrealized gain associated with remeasurement of fair value of cash flow hedges of $11.0 million, an actuarial gain on post-employment benefit plans of $9.1 million, and an unrealized gain from foreign currency translation adjustments of $0.4 million. The prior year comprehensive income includes $0.3 million of foreign currency translation adjustments, a $0.2 million unrealized gain associated with remeasurement of fair value cash flow hedges, offset by unrealized losses on mark-to-market adjustments of equity investments of $0.1 million.

Television

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

Financial Highlights

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2016**	2015
Revenues	**425,564**	183,718
Expenses	**241,143**	95,683
Segment profit [1]	**184,421**	88,035
Segment profit margin [1]	**43%**	48%
Amortization of disposed assets	**—**	(1,400)
Adjusted segment profit[1]	**184,421**	86,635
Adjusted segment profit margin [1]	**43%**	47%

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

The acquisition of Shaw Media on April 1, 2016 and the shutdown of the Pay TV business on February 29, 2016 contributed to the significant year-over-year variances in the operating results for the Television segment. The first quarter of the prior year includes the operating results of the Pay TV business but does not include the operating results of the Shaw Media business. In the prior year's quarter, the Shaw Media business generated revenues and segment profit of $294.5 million and $118.1 million, respectively, while the Pay TV business generated revenues and segment profit of $31.4 million and $15.3 million, respectively.

Revenues increased by 132% in the first quarter of fiscal 2017 as a result of a 269% increase in advertising revenues, a 45% increase in subscriber revenues, offset by a 20% decrease in merchandising, distribution and other revenues.

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

On a pro forma basis, total advertising revenues decreased 7% in the quarter compared to the prior year as a result of several factors, including the timing of agency contract renewals, particularly the loss in calendar 2016 of a major agency deal, and the non-recurrence of federal election spending which occurred in the prior year. This was partially offset by year-over-year growth from integrated advertising sales and from Kids directed advertising on the Corus Kids networks.

On a pro forma basis, total subscriber revenues increased 6% in the quarter compared to the prior year, due to the continuing positive impact of the Disney channels, annual wholesale fee increases in certain carriage agreements and higher revenues from video-on-demand.

On a pro forma basis, merchandising, distribution and other revenues decreased 33% compared to the prior year. The prior year included several large subscription video-on-demand content deals with multi-year licensing terms.

Total expenses in the first quarter of fiscal 2017 increased by 152% compared to the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) increased 123% and general and administrative expenses increased 204% from the prior year. On a pro forma basis, direct cost of sales were down 3% compared to the prior year while general and administrative expenses were down 10% compared to the prior year, reflecting realization of cost synergies.

Segment profit(1) increased 109% in the first quarter of fiscal 2017 compared to the prior year. On a pro forma basis, segment profit(1) decreased 3% compared to the prior year. Segment profit margin(1) for the quarter was 43%, compared to 48% in the prior year or 43% on a pro forma basis.

Global delivered the strongest fall season it's seen in over a decade, with 3 of the top 5 new shows *Bull*, *MacGyver* and *Kevin Can Wait*. In the Specialty business, this fall Corus had 7 of the top 10 networks for both adults 25-54 and women 25-54, as well as 8 of the top 10 children's networks for kids 2-11.(2)

For fiscal 2016, certain of Corus' Pay TV assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remain in continuing operations. Intangible assets reclassified as held for disposal ceased being amortized effective November 19, 2015 and, as a consequence, amortization of program and film rights in the Television segment for the three months ended November 30, 2015 is lower by approximately $1.4 million than it would have been had amortization on these assets not ceased. Adjusting for this, segment profit and segment profit margin for the three months ended November 30, 2015 would have been $86.6 million and 47%, respectively. Further discussion is provided in note 18 of the Company's interim condensed consolidated financial statements for the three months ended November 30, 2015.

(1) As defined in the "Key Performance Indicators" section.
(2) Based on Numeris TV Meter, Total Canada, Global Fall 2016 weeks 3 – 13, Specialty Networks Fall 2016 weeks 1-13 ex. Sports.

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	November 30,
(thousands of Canadian dollars)	**2016**	2015
Revenues	**42,417**	44,600
Expenses	**29,131**	31,797
Segment profit[1]	**13,286**	12,803
Segment profit margin [1]	**31%**	29%

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

Revenues for the first quarter of fiscal 2017 decreased 5% compared to the prior year. Ontario markets stabilized in the quarter, mainly driven by solid results in Toronto and Ottawa; however, this was offset by declines in the West, as a result of soft economic conditions in Vancouver and Alberta. Similarly, Winnipeg's recent programming changes, while improving ratings, have yet to translate into revenue growth.

Direct cost of sales, general and administrative expenses in the first quarter of fiscal 2017 decreased 8% compared to the prior year. Direct costs of sales were down 3% to the prior year, while selling, general and administrative costs decreased 9%. The significant decrease in selling, general and administrative costs are attributable to the realization of cost synergies discussed below.

Radio's segment profit in the first quarter of fiscal 2017 increased 4% compared to the prior year, with the segment profit margin increasing to 31% in the quarter compared to 29% in the prior year. On April 1, 2016, in conjunction with the Shaw Media acquisition, the Company announced a new organizational structure that harnesses the combined power of the Company's radio operations and its conventional television stations to create a strong presence in local advertising – across radio, TV and digital. Accordingly, the first quarter of fiscal 2017 reflects the continued realization of cost synergies derived from these efforts.

Subsequent to the quarter, the Fall PPM audience ratings were released, with solid results and gains in key markets since the Spring PPM ratings book. Highlights in the Adults 25-54 demographic segment include the following: the Toronto radio cluster ranked third overall in the market with a 10% increase versus last fall, with Q107 climbing two ranked positions to number five since the Spring PPM; Calgary's Country 105 maintained its number one ranked position; Edmonton's CISN Country 103.9 dropped one ranked position to number three but 630 CHED gained two ranked positions to number six; and, Vancouver's CFOX and Rock 101 maintained their number three and number five ranked positions. In the Numeris diary markets, Ottawa's JUMP continued to see significant audience growth, moving up to the number five ranked position; London now has two stations (Fresh and FM 96) in the top three; and, Winnipeg's relaunch of heritage brand Power 97 resulted in an audience share gain following its rebrand last summer while 680 CJOB jumped to the number one ranked position in its core demo Adults 35-54.

Corporate

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended **November 30,** **2016**	2015
Share-based compensation	**1,512**	(230)
Other general and administrative costs	**4,209**	5,190
	5,721	4,960

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 first quarter of fiscal 2017 is due to unusually low expense in the prior year as a result of revaluing obligations associated with a lower share price. Higher share-based compensation expense for the three months ended November 30, 2016 reflects an expanded number of participants in the long-term incentive plans, an increase in the number of units estimated to hit vesting targets, and a higher share price in the current year.

Other general and administrative costs were lower in the first quarter of fiscal 2017, primarily due to the timing of certain operating costs.

Quarterly Consolidated Financial Information

Seasonal fluctuations

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

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended November 30, 2016. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2016.

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit[(1)]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders	Earnings per share Basic	Diluted	Adjusted
2017							
1st quarter	**467,981**	**191,986**	**71,146**	**80,826**	**$ 0.36**	**$ 0.36**	**$ 0.41**
2016							
4th quarter	384,467	105,371	25	14,535	$ —	$ —	$ 0.07
3rd quarter	360,824	130,186	(15,766)	52,950	$(0.10)	$(0.10)	$ 0.34
2nd quarter	197,705	79,579	102,232	20,944	$ 1.17	$ 1.17	$ 0.24
1st quarter	228,318	95,878	41,320	42,484	$ 0.47	$ 0.47	$ 0.49
2015							
4th quarter	193,599	55,493	17,835	23,967	$ 0.21	$ 0.21	$ 0.28
3rd quarter	203,121	68,699	(8,109)	31,550	$(0.09)	$(0.09)	$ 0.36
2nd quarter	191,484	59,719	(86,786)	28,499	$(1.01)	$(1.01)	$ 0.33

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

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the first quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of $19.6 million ($0.07 per share).
- Revenues, segment profit and net income attributable to shareholders were positively impacted by the Acquisition and inclusion of its operating results effective April 1, 2016; however, they were negatively impacted by the shutdown of the Pay TV business effective February 29, 2016. Net income attributable to shareholders for the third quarter of fiscal 2016 was also negatively impacted by business acquisition, integration and restructuring costs of $29.3 million ($0.15 per share) and debt refinancing costs of $61.2 million ($0.29 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2016 was positively impacted by a gain of $86.2 million ($0.87 per share) resulting from a gain on disposition of assets relating to the Pay TV business, amortization ceasing on certain programming assets disposed of at the end of the quarter of $14.2 million ($0.12 per share), and negatively impacted by restructuring costs of $6.0 million ($0.06 per share). In addition, segment profit was also positively impacted by the cessation of amortization on the aforementioned Pay TV programming assets by $14.2 million.
- Net income attributable to shareholders for the first quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of $2.4 million ($0.03 per share) and positively impacted by amortization ceasing on certain programming assets reclassified as held for disposal of $1.4 million ($0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of $8.3 million ($0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2015 was negatively impacted by non-cash impairment charges in program rights and film investments of $51.8 million ($0.44 per share) and restructuring costs of $2.7 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2015 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of $130.0 million ($1.44 per share), restructuring costs of $8.0 million ($0.07 per share) and positively impacted by a gain of $17.0 million ($0.17 per share) resulting from a gain on disposition of investment.

Risks and Uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2016 Annual Report under the "Risks and Uncertainties" section. There have been no material changes in the risks or uncertainties facing the Company since the date of our Annual Report.

Financial Position

Total assets at November 30, 2016 and August 31, 2016 were $6.2 billion and $6.1 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2016.

Current assets at November 30, 2016 were $530.9 million, up $60.9 million from August 31, 2016.

Cash and cash equivalents decreased by $54.4 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $110.7 million from year end. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher in the first and third quarters and lower in the second and fourth quarters as a result of the broadcast revenue seasonality. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased $2.9 million from year end as a result of accruals related to film and interactive productions exceeding tax credit receipts.

Investments and other assets increased $1.3 million from year end, primarily as a result of additional investments in Venture funds, offset by equity losses from associates.

Property, plant and equipment decreased $7.0 million from year end, as a result of depreciation expense exceeding additions for the first three months of fiscal 2017.

Program and film rights increased $23.5 million from year end, as additions of acquired rights of $151.2 million were offset by amortization of $127.7 million.

Film investments increased $4.0 million from year end, as film spending (net of tax credit accruals) of $8.0 million was offset by film amortization of $4.0 million.

Intangibles decreased $5.7 million from year end, primarily as a result of amortization of finite life intangibles exceeding additions. Goodwill remained unchanged from August 31, 2016.

Accounts payable and accrued liabilities increased $79.0 million from year end, primarily as a result of higher accruals for program rights and trade mark liabilities, offset by lower accrued liabilities. The decrease in accrued liabilities relates primarily to the timing of short-term compensation accruals.

Provisions have decreased $5.1 million from year end, as a result of payments made related to restructuring exceeding accruals.

Long-term debt, including current portion, at November 30, 2016 was $2,169.5 million compared to $2,196.0 million at August 31, 2016. As of November 30, 2016, the $115.0 million classified as the current portion of long-term debt reflects the mandatory repayment on the debt in the next twelve months. During the first quarter of fiscal 2017, the Company paid down bank loans by $28.2 million and amortized $1.6 million of deferred financing charges.

Other long-term liabilities decreased by $44.9 million from year end, primarily from decreases in long-term program rights payable, the fair value of the interest rate swaps, and CRTC benefit obligations, offset by increases on trade mark and intangible liabilities, and deferred revenues.

Share capital increased $30.2 million as result of the issuance of shares from treasury under the Company's dividend reinvestment plan.

Contributed surplus increased $0.2 million due to share-based compensation expense.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position decreased by $54.4 million over the three months ended November 30, 2016. Free cash flow for the three months ended November 30, 2016 was $33.9 million, which was consistent with 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 provided by operating activities in the three months ended November 30, 2016 was $22.3 million, compared to $36.6 million last year. The decrease of $14.3 million arises from higher cash used by working capital of $56.3 million and higher payments on program rights of $79.0 million, offset by higher net income from operations (adjusted for non-cash items) of $121.0 million.

Cash used by investing activities in the three months ended November 30, 2016 was $8.9 million, compared to cash provided of $14.9 million in the prior year. The current year includes additions to property, plant and equipment of $5.6 million, and net cash outflows for intangibles, investments and other assets of $3.3 million. The prior year includes $21.1 million cash consideration received from BCE Inc. relating to the shut-down of the Pay TV business (refer to note 18 of the interim condensed consolidated financial statements for the period ended November 30, 2015 for further details) and cash proceeds from a venture fund distribution of $1.7 million, offset by net cash outflows for intangibles, investments and other assets of $2.7 million, additions to property, plant and equipment of $2.7 million, and business acquisition costs of $2.5 million.

Cash used by financing activities in the three months ended November 30, 2016 was $67.8 million, compared to $46.8 million in the prior year. In the current year, the Company decreased bank debt by $28.2 million, paid dividends of $39.4 million, and made capital lease payments of $0.2 million. In the prior year, the Company paid down bank debt by $20.0 million, paid dividends of $25.4 million, and made capital lease payments of $1.4 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) of 3.0 to 3.5 times, and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. The Company is currently operating above these internally imposed objectives as a result of the Acquisition and is committed to bringing the leverage target back within the target range by the end of fiscal 2018.

As at November 30, 2016, the Company had available approximately $289.2 million under the Revolving Facility and was in compliance with all loan covenants. As at November 30, 2016, the Company had a net cash balance of $17.0 million.

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

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

Net debt to segment profit

As at November 30, 2016, net debt was $2,152.5 million, up from $2,124.7 million at August 31, 2016. Net debt to segment profit at November 30, 2016 was 3.9 times on a pro forma basis, after adjusting segment profit to include the Acquisition and exclude Pay TV for the prior twelve months. This compared to 3.8 times, on a pro forma basis at August 31, 2016. Further discussion on this is contained in the Key Performance Indicators section.

Total capitalization

At November 30, 2016, total capitalization was $4,690.3 million, an increase of $89.3 million from August 31, 2016. The increase is attributable to the issuance of $30.2 million of shares from treasury under the Company's dividend reinvestment plan, higher net income and other comprehensive income, and higher net debt.

Off-Balance Sheet arrangements and derivative financial instruments

During the third quarter of fiscal 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements at November 30, 2016 is $0.6 million, which has been recorded in the interim condensed consolidated statements of financial position as an asset.

Outstanding Share Data

As at December 30, 2016, 3,425,792 Class A Voting Shares and 196,436,119 Class B Non-Voting Shares were issued and outstanding.

Key Performance Indicators

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

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

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

Adjusted segment profit and adjusted segment profit margin

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

	Three months ended **November 30,**	
[thousands of Canadian dollars]	**2016**	2015
Adjusted segment profit		
Reported segment profit	**191,986**	95,878
Adjustments:		
Amortization not taken on Pay TV assets disposed of	**—**	(1,400)
Adjusted segment profit	**191,986**	94,478

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 **November 30,**	
[thousands of Canadian dollars]	**2016**	2015
Cash provided by (used in):		
Operating activities	**22,348**	36,631
Investing activities	**(8,882)**	14,942
	13,466	51,573
Add back: cash provided from (used for) business combinations and strategic investments (1)(2)	**20,443**	(17,036)
Free cash flow	**33,909**	34,537

(1) Strategic investments are comprised of investments in venture funds and associated companies.
(2) Adjusted to remove the impact of disposing the Pay TV business.

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

Adjusted net income and adjusted basic earnings per share

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

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended	
	November 30,	
(thousands of Canadian dollars, except per share amounts)	**2016**	2015
Net income attributable to shareholders	**71,146**	41,320
Adjustments, net of income tax:		
Amortization of certain Pay TV assets	**—**	(1,029)
Business acquisition, integration and restructuring costs	**9,680**	2,193
Adjusted net income attributable to shareholders	**80,826**	42,484
Basic earnings per share	**$0.36**	$ 0.47
Adjustments, net of income tax:		
Amortization of certain Pay TV assets	**—**	$(0.01)
Business acquisition, integration and restructuring costs	**$0.05**	$ 0.03
Adjusted basic earnings per share	**$0.41**	$0.49

Net debt and net debt to segment profit

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

(thousands of Canadian dollars)	**As at November 30, 2016**	As at August 31, 2016
Total bank debt and notes	**2,169,485**	2,196,020
Cash and cash equivalents	**(17,011)**	(71,363)
Net debt	**2,152,474**	2,124,657

Net debt to segment profit

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

(thousands of Canadian dollars)	**As at November 30, 2016**	As at August 31, 2016
Net debt (numerator)	**2,152,474**	2,124,657
Segment profit (denominator)[1]	**507,122**	411,014
Net debt to segment profit	**4.2**	5.2

[1] Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section and only includes the segment profit from the Shaw Media business from the date of acquisition, eight months for the twelve month period ended November 30, 2016 and five months for the year ended August 31, 2016, rather than a full twelve months for both.

As at November 30, 2016, net debt was $2,152.5 million, up from $2,124.7 million at August 31, 2016. Net debt to segment profit at November 30, 2016 was 4.2 times compared to 5.2 times at August 31, 2016. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters; however, does not include segment profit from the Shaw Media business prior to April 1, 2016. The increase in net debt reflects increased debt to finance the Acquisition but the net debt to segment profit ratio does not include a full twelve months of segment profit of the Shaw Media business. Adjusting segment profit to include the Acquisition and exclude the Pay TV business for the last twelve months would result in a net debt to segment profit of 3.9 times.

Impact of New Accounting Policies

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's August 31, 2016 consolidated financial statements and note 3 in the Company's November 30, 2016 interim condensed consolidated financial statements.

Changes in accounting policies

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

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

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

Controls and Procedures

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and the Chief Financial Officer of Corus have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Shaw Media, which was acquired on April 1, 2016. Shaw Media's contribution to the overall consolidated financial statements of Corus for the three months ended November 30, 2016 was approximately 60% of consolidated revenues and 85% of consolidated net income attributable to shareholders. Additionally, as at November 30, 2016, Shaw Media's assets and liabilities were approximately 21% and 28%, respectively. The design of Shaw Media's disclosure controls and procedures and internal control over financial reporting will be completed by the third quarter of fiscal 2017.

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

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited - in thousands of Canadian dollars]	**As at November 30, 2016**	As at August 31, 2016
ASSETS		
Current		
Cash and cash equivalents	**17,011**	71,363
Accounts receivable	**490,550**	379,861
Prepaid expenses and other	**23,364**	18,835
Total current assets	**530,925**	470,059
Tax credits receivable	**22,734**	19,860
Investments and other assets (note 4)	**48,102**	46,759
Property, plant and equipment	**275,078**	282,105
Program and film rights (note 5)	**705,795**	682,268
Film investments (note 6)	**49,155**	45,164
Intangibles (note 7)	**2,070,563**	2,076,237
Goodwill	**2,390,652**	2,390,652
Deferred income tax assets	**80,480**	80,281
	6,173,484	6,093,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**472,385**	393,367
Current portion of long-term debt (note 9)	**115,000**	115,000
Provisions (note 8)	**16,262**	21,390
Income taxes payable	**10,067**	1,982
Total current liabilities	**613,714**	531,739
Long-term debt (note 9)	**2,054,485**	2,081,020
Other long-term liabilities	**494,770**	539,672
Deferred income tax liabilities	**472,650**	464,607
Total liabilities	**3,635,619**	3,617,038
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**2,198,711**	2,168,543
Contributed surplus	**10,667**	10,444
Retained earnings	**165,998**	142,499
Accumulated other comprehensive income (loss)	**7,857**	(3,569)
Total equity attributable to shareholders	**2,383,233**	2,317,917
Equity attributable to non-controlling interest	**154,632**	158,430
Total shareholders' equity	**2,537,865**	2,476,347
	6,173,484	6,093,385

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

[unaudited - in thousands of Canadian dollars except per share amounts]	Three months ended **November 30,** **2016**	2015
Revenues	**467,981**	228,318
Direct cost of sales, general and administrative expenses (note 11)	**275,995**	132,440
Depreciation and amortization	**22,460**	11,002
Interest expense (note 12)	**39,720**	18,890
Business acquisition, integration and restructuring costs	**13,165**	2,361
Other expense, net (note 13)	**6,832**	3,925
Income before income taxes	**109,809**	59,700
Income tax expense (note 14)	**29,106**	16,877
Net income for the period	**80,703**	42,823
Net income attributable to:		
Shareholders	**71,146**	41,320
Non-controlling interest	**9,557**	1,503
	80,703	42,823
Earnings per share attributable to shareholders:		
Basic	**$ 0.36**	$ 0.47
Diluted	**$ 0.36**	$ 0.47
Net income for the period	**80,703**	42,823
Other comprehensive income, net of income taxes:		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**392**	299
Unrealized change in fair value of available-for-sale investments	**—**	(116)
Unrealized change in fair value of cash flow hedges	**11,034**	214
Actuarial gain on employee post-employment benefits	**9,084**	—
	20,510	397
Comprehensive income for the period	**101,213**	43,220
Comprehensive income attributable to:		
Shareholders	**91,656**	41,717
Non-controlling interest	**9,557**	1,503
	101,213	43,220

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[unaudited - in thousands of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non-controlling interest	Total equity
At August 31, 2016	2,168,543	10,444	142,499	(3,569)	2,317,917	158,430	2,476,347
Comprehensive income	—	—	71,146	20,510	91,656	9,557	101,213
Dividends declared	—	—	(56,731)	—	(56,731)	(13,355)	(70,086)
Issuance of shares under dividend reinvestment plan	30,168	—	—	—	30,168	—	30,168
Actuarial gain transfer	—	—	9,084	(9,084)	—	—	—
Share-based compensation expense	—	223	—	—	223	—	223
At November 30, 2016	**2,198,711**	**10,667**	**165,998**	**7,857**	**2,383,233**	**154,632**	**2,537,865**
At August 31, 2015	994,571	9,471	191,182	7,353	1,202,577	17,334	1,219,911
Comprehensive income	—	—	41,320	397	41,717	1,503	43,220
Dividends declared	—	—	(24,928)	—	(24,928)	(4,149)	(29,077)
Issuance of shares under dividend reinvestment plan	3,573	—	—	—	3,573	—	3,573
Share-based compensation expense	—	267	—	—	267	—	267
At November 30, 2015	998,144	9,738	207,574	7,750	1,223,206	14,688	1,237,894

See accompanying notes

CORUS ENTERTAINMENT INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited - in thousands of Canadian dollars]	Three months ended **November 30,** **2016**	2015
OPERATING ACTIVITIES		
Net income for the period	**80,703**	42,823
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Amortization of program and film rights (note 5)	**127,725**	54,263
Amortization of film investments (note 6)	**4,027**	3,331
Depreciation and amortization (note 7)	**22,460**	11,002
Deferred income taxes	**564**	1,938
Venture fund distribution gain (note 13)	**—**	(533)
Share-based compensation expense	**223**	267
Imputed interest (note 12)	**13,193**	10,451
CRTC benefit payment	**(6,158)**	(2,328)
Other	**567**	198
Net changes in non-cash working capital balances related to operations	**(86,107)**	(29,825)
Payment of program and film rights	**(124,099)**	(45,129)
Net additions to film investments	**(10,750)**	(9,827)
Cash provided by operating activities	**22,348**	36,631
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(5,626)**	(2,703)
Net proceeds from assets held for disposal	**—**	21,100
Business acquisition costs paid in the period	**—**	(2,476)
Proceeds from disposition of investment (note 13)	**—**	1,684
Net cash flows for intangibles, investments and other assets	**(3,256)**	(2,663)
Cash provided by (used in) investing activities	**(8,882)**	14,942
FINANCING ACTIVITIES		
Decrease in bank loans	**(28,180)**	(19,999)
Dividends paid	**(26,060)**	(21,298)
Dividends paid to non-controlling interest	**(13,355)**	(4,149)
Other	**(223)**	(1,379)
Cash used in financing activities	**(67,818)**	(46,825)
Net change in cash and cash equivalents during the period	**(54,352)**	4,748
Cash and cash equivalents, beginning of the period	**71,363**	37,422
Cash and cash equivalents, end of the period	**17,011**	42,170

Supplemental cash flow disclosures (note 16)

See accompanying notes

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

These interim condensed consolidated statements of the Company for the three months ended November 30, 2016 were authorized for issue in accordance with a resolution of the Company's Board of Directors on January 10, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Changes in accounting policies

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*

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

[in thousands of Canadian dollars, except per share information]

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

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

Pending accounting changes

IFRS 9 – *Financial Instruments: Classification and Measurement*

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

IFRS 15 – *Revenue from Contracts with Customers*

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

IFRS 16 – *Leases*

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

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance - August 31, 2016	15,483	31,276	46,759
Increase (decrease) in investments	(557)	1,900	1,343
Balance - November 30, 2016	**14,926**	**33,176**	**48,102**

[in thousands of Canadian dollars, except per share information]

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2016	682,268
Net additions	151,252
Amortization	(127,725)
Balance - November 30, 2016	**705,795**

6. FILM INVESTMENTS

Balance - August 31, 2016	45,164
Net additions	8,018
Amortization	(4,027)
Balance - November 30, 2016	**49,155**

7. INTANGIBLES

	Broadcast Licenses	Other (1)	Total
Balance - August 31, 2016	984,889	1,091,348	2,076,237
Net additions	—	4,143	4,143
Amortization	—	(9,817)	(9,817)
Balance - November 30, 2016	**984,889**	**1,085,674**	**2,070,563**

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

8. PROVISIONS

The continuity of provisions is as follows:

	Restructuring	Onerous lease obligation	Other	Total
Balance - August 31, 2016	21,695	—	585	22,280
Additions	4,729	8,436	—	13,165
Payments	(9,327)	(1,221)	—	(10,548)
Balance - November 30, 2016	**17,097**	**7,215**	**585**	**24,897**
Current	12,462	3,215	585	16,262
Long-term	4,635	4,000	—	8,635
Balance - November 30, 2016	**17,097**	**7,215**	**585**	**24,897**

[in thousands of Canadian dollars, except per share information]

9. LONG-TERM DEBT

	November 30, 2016
Bank loans	2,189,913
Unamortized financing fees	(20,428)
	2,169,485
Less: current portion of bank loans	(115,000)
	2,054,485

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at November 30, 2016, the weighted average interest rate on the outstanding bank loans and Notes was 4.7% (2016 – 4.7%). Interest on the bank loans and Notes averaged 4.7% for the first quarter of fiscal 2017 (2016 – 4.2%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit agreement dated April 1, 2016 (the "Facility"). Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at November 30, 2016.

Credit Facilities

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

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

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

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

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875%

per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Facility

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

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at November 30, 2016, $289.2 million of the Revolving Facility was available.

Swap agreements

On May 31, 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $457.0 million and $1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The estimated fair value of these agreements at November 30, 2016 is $0.6 million, which has been recorded in the interim condensed consolidated statements of financial position as an asset. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

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

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

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

10. SHARE CAPITAL

Authorized

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

Issued and outstanding

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	**$**	**#**	**$**	**$**
Balance - August 31, 2016	3,425,792	26,529	192,997,999	2,142,014	2,168,543
Issuance of shares under dividend reinvestment plan	—	—	2,649,005	30,168	30,168
Balance - November 30, 2016	**3,425,792**	**26,529**	**195,647,004**	**2,172,182**	**2,198,711**

Earnings per share

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

	Three months ended **November 30,**	
	2016	2015
Net income attributable to shareholders (numerator)	**71,146**	41,320
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**197,300**	87,277
Effect of dilutive securities	**126**	—
Weighted average number of shares outstanding - diluted	**197,426**	87,277

The calculation of diluted earnings per share for the first quarter of fiscal 2017 excluded 2,636,573 (2016 – 2,560,873) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

Stock option plan

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

[in thousands of Canadian dollars, except per share information]

The fair value of each option granted in the first quarter of fiscal 2017 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Vesting in fiscal:	**2018**	**2019**	**2020**	**2021**
Fair value	$ 0.64	$ 0.59	$ 0.56	$ 0.51
Risk-free interest rate	0.7%	0.7%	0.8%	0.8%
Expected dividend yield	10.1%	10.1%	10.1%	10.1%
Expected share price volatility	27.2%	26.7%	26.2%	26.1%
Expected time until exercise (years)	5	6	6	7

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:

	November 30, 2016	August 31, 2016
Outstanding employee stock options	**5,366,873**	3,753,873
Exercisable employee stock options	**1,844,036**	1,637,123
Outstanding PSUs	**1,166,498**	1,025,934
Outstanding DSUs	**1,114,100**	1,002,367
Outstanding RSUs	**403,859**	237,483

Share-based compensation expense recorded for the first quarter fiscal 2017 in respect of these plans was $1,512 (2016 – recovery of $230). As at November 30, 2016, the carrying value of the liability for PSU, DSU and RSU units at the end of the quarter was $26,631 (August 31, 2016 – $27,742).

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **November 30,**	
	2016	2015
Direct cost of sales		
Amortization of program and film rights [(1)]	**127,725**	54,263
Amortization of film investments	**4,027**	3,331
Other cost of sales	**6,585**	5,725
General and administrative expenses		
Employee costs	**79,259**	37,233
Other general and administrative	**58,399**	31,888
	275,995	132,440

[(1)] Certain of Corus' Pay Television business ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015. The Pay TV operating results remained in operations, however, amortization of program rights ceased on that date and as a consequence, amortization is lower for the quarter ended November 30, 2015 by $1.4 million.

[in thousands of Canadian dollars, except per share information]

12. INTEREST EXPENSE

	Three months ended **November 30,**	
	2016	2015
Interest on long-term debt	**26,000**	7,986
Imputed interest on long-term liabilities	**13,193**	10,451
Other	**527**	453
	39,720	18,890

13. OTHER EXPENSE, NET

	Three months ended **November 30,**	
	2016	2015
Foreign exchange loss	**6,376**	3,287
Equity loss of investees	**508**	382
Film investment impairment recovery	**—**	(408)
Venture fund distribution gain	**—**	(533)
Other	**(52)**	1,197
	6,832	3,925

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

14. INCOME TAXES

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

	Three months ended **November 30,**			
	2016		2015	
	$	**%**	$	%
Income tax at combined federal and provincial rates:	**29,179**	**26.6%**	15,842	26.5%
Transaction costs	**(88)**	**(0.1%)**	481	0.8%
Miscellaneous differences	**15**	**0.0%**	554	1.0%
	29,106	**26.5%**	16,877	28.3%

[in thousands of Canadian dollars, except per share information]

15. BUSINESS SEGMENT INFORMATION

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

Television

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

Radio

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

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

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

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

Revenues and segment profit

Three months ended November 30, 2016

	Television	Radio	Corporate	Consolidated
Revenues	**425,564**	**42,417**	**—**	**467,981**
Direct cost of sales, general and administrative expenses	**241,143**	**29,131**	**5,721**	**275,995**
Segment profit (loss)	**184,421**	**13,286**	**(5,721)**	**191,986**
Depreciation and amortization				**22,460**
Interest expense				**39,720**
Business acquisition, integration and restructuring costs				**13,165**
Other expense, net				**6,832**
Income before income taxes				**109,809**

[in thousands of Canadian dollars, except per share information]

Three months ended November 30, 2015

	Television	Radio	Corporate	Consolidated
Revenues	183,718	44,600	—	228,318
Direct cost of sales, general and administrative expenses	95,683	31,797	4,960	132,440
Segment profit (loss)	88,035	12,803	(4,960)	95,878
Depreciation and amortization				11,002
Interest expense				18,890
Business acquisition, integration and restructuring costs				2,361
Other expense, net				3,925
Income before income taxes				59,700

Revenues are derived from the following areas:

	Three months ended **November 30,**	
	2016	2015
Advertising	**323,405**	118,930
Subscriber fees	**126,464**	86,954
Merchandising, distribution and other	**18,112**	22,434
	467,981	228,318

16. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended **November 30,**	
	2016	2015
Interest paid	**26,565**	2,651
Interest received	**38**	15
Income taxes paid	**20,269**	292

17. BUSINESS COMBINATIONS

On April 1, 2016, the Company acquired the shares of Shaw Media Inc. from Shaw Communications Inc. The acquisition will be a business combination between entities under common control and will be accounted for by the Company using the acquisition method. Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation continues to be preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects.

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

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