power of corus.

Third Quarter 2017 Report to Shareholders

For the Three and Nine Months Ended May 31, 2017
(Unaudited)

Table of Contents

3 Financial Highlights

4 Significant Events in the Quarter

5 Significant Events Subsequent to the Quarter

6 Management's Discussion and Analysis

7 Overview of Consolidated Results

10 Television

12 Radio

13 Corporate

13 Quarterly Consolidated Financial Information

16 Liquidity and Capital Resources

17 Key Performance Indicators

20 Controls and Procedures

21 Consolidated Financial Statements and Notes

Financial Highlights

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

(in thousands of Canadian dollars except per share amounts)	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Revenues				
Television	**422,324**	321,176	**1,183,784**	668,326
Radio	**39,304**	39,648	**114,012**	118,521
	461,628	360,824	**1,297,796**	786,847
Segment profit [1]				
Television	**171,294**	127,968	**457,114**	297,408
Radio	**11,598**	9,665	**31,225**	27,650
Corporate	**(7,079)**	(7,447)	**(17,857)**	(19,415)
	175,813	130,186	**470,482**	305,643
Net income (loss) attributable to shareholders	**66,719**	(15,766)	**162,746**	127,786
Adjusted net income attributable to shareholders [1] [2]	**70,141**	52,950	**176,544**	116,378
Basic earnings (loss) per share	**$0.33**	$(0.10)	**$0.81**	$1.16
Adjusted basic earnings per share [1] [2]	**$0.35**	$0.34	**$0.88**	$1.05
Diluted earnings (loss) per share	**$0.33**	$(0.10)	**$0.81**	$1.15
Free cash flow [1]	**82,527**	67,947	**212,458**	126,768

[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 May 31, 2017, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of $4.6 million ($0.02 per share). For the nine months ended May 31, 2017, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of $18.7 million ($0.07 per share). For the three months ended May 31, 2016, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of $29.3 million ($0.15 per share) and debt refinancing costs of $61.2 million ($0.29 per share). For the nine months ended May 31, 2016, adjusted net income attributable to shareholders represents net income attributable to shareholders adjusted to include amortization of disposed Pay TV programming assets of $15.6 million ($0.11 per share) and excludes business acquisition, integration and restructuring charges of $37.6 million ($0.29 per share), a gain on the disposal of the Pay TV disposal group of $86.2 million ($0.70 per share) and debt refinancing costs of $61.2 million ($0.41 per share).

Significant Events in the Quarter

- On March 1, 2017, the Company and Canada's leading radio broadcasters announced the launch of Radioplayer Canada. The streaming app gives radio listeners access to more than 400 Canadian radio stations, on any connected device, including iOS, Android and desktop player.
- On March 6, 2017, the Company became the first major Canadian broadcaster to offer first-party data to advertisers through their digital programmatic platforms. These datasets from Corus' audience intelligence platform enable advertisers to efficiently reach online consumers with the right ads at the right time.
- On March 10, 2017, the Company announced that its programming, original productions and content received a total of 12 Canadian Screen Awards.
- On March 21, 2017, the Company announced its new unscripted, lifestyle series, *The Baker Sisters,* would be available for international sale at MIPTV.
- On March 28, 2017, the Company's Corus Studios subsidiary announced multiple new international content deals for the popular original lifestyle series *Masters of Flip* and *Buying the View. Masters of Flip* is now available in 147 territories and *Buying the View* in 65 territories worldwide.
- On March 31, 2017, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.
- On April 4, 2017, the Company's Kids Can Press subsidiary entered into the young adult book market with the release of two of its first four titles from the new KCP Loft imprint.
- On April 5, 2017, the Company's Kids Can Press subsidiary was named Children's Publisher of the Year in North America at the annual Bologna Children's Book Fair. The award is among the most respected international recognitions in children's publishing.
- On April 13, 2017, the Company's Nelvana subsidiary announced a partnership with Discovery Kids to bring 26 episodes of its hit animated series, *The ZhuZhus*, to kids and families throughout Latin America and the Caribbean. In addition, Nelvana completed a broadcast extension deal with Discovery Kids for *The Backyardigans* in Latin America and the Caribbean.
- From April 22 – April 29, 2017, the Company's Global News and Corus Radio outlets captured an incredible 30 awards at the Radio Television Digital News Association (RTDNA) Regional Awards, including four Lifetime Achievement Awards for personalities Charles Adler (Corus Radio), Gord Gillies (Global News Calgary), Jim Haskins (Global News Halifax & Global News New Brunswick) and John Daly (Global News BC/CKNW).
- On April 25, 2017, the Company's Global News was recognized with five prestigious RTDNA Edward R. Murrow Awards including Globalnews.ca being named Best Website in the Large Market Television Category. The RTDNA Edward R. Murrow Awards are handed out by the U.S. based RTDNA in the international category and include competing entries from across Canada and around the world.
- On April 26, 2017, the Company, alongside Shaw Communications, announced a new funding model that will provide Global News with additional resources to support local news coverage and reporting in Vancouver, Calgary and Edmonton. Beginning September 1, 2017, Global News will receive approximately $10 million annually in funds (redirected from local Shaw TV operations in Vancouver, Calgary and Edmonton), and will use these resources to protect and support the organization's capacity for relevant and locally-focused community newsgathering.
- On April 28, 2017, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.
- On May 10, 2017, the Company's Nelvana subsidiary announced a range of new partnerships including Video on Demand (VOD), linear and in-flight entertainment initiatives. The new deals will deliver key series such as *Babar, Franklin, Ranger Rob,* and *Max and Ruby* to additional platforms for consumers in the U.K., the U.S., and Canada.
- On May 15, 2017, the Canadian Radio-television and Telecommunications Commission (CRTC) issued its decisions on the 2016 Group-Based Licence hearings where the television licence renewals for Canada's top three English media groups were considered. All of the Corus television services were renewed for five-year licence terms, which will begin on September 1, 2017 and end on August 31, 2022.
- On May 16, 2017, the Company's Kids Can Press subsidiary, in partnership with McDonald's Canada, launched a new book program which allows families to choose a book or toy with their Happy Meal purchase.
- On May 18, 2017, the Company's Nelvana subsidiary announced a licensing agreement with Dark Horse Comics to produce a series of graphic novels based on the original animated action series, *Mysticons*. Set to be released late summer 2018, the graphic novels follow the epic tale of four unexpected heroes who transform into legendary warriors and undertake a mythic quest to save the world.
- On May 27, 2017, the Company's Global News and Corus Radio outlets took home four RTDNA Canada

Network awards and seven RTDNA Canada National awards from the annual gala. The RTDNA's honour the best journalists, programs, stations and news gathering organizations in radio, television, and digital. All National Award finalists have already won a Regional RTDNA Award in either Atlantic Canada, Central Canada, the Prairies, or B.C.

- On May 31, 2017, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On June 5, 2017, the Company announced its slate of new and returning Canadian content, showcasing exceptional storytelling, an amazing roster of homegrown talent, and original, high-quality productions. New season orders of outstanding established hits underscore Corus' commitment to investing in Canadian content across its portfolio of brands, championing original series and fostering Canadian talent, both in front of and behind the camera. Additionally, with strategically curated programs featuring globally appealing themes and formats, the Company's Corus Studios and Nelvana subsidiaries will continue to grow their slates of premium original content which are now available in more than 160 countries and territories around the world.
- On June 5, 2017, Global unveiled its fiscal 2018 primetime lineup featuring six new dramas and four new comedies which will join 23 returning primetime series. With a solid 16 hours of weekly simulcast, Global is well positioned for the upcoming fall season.
- On June 8, 2017, Corus announced a multi-year licensing agreement with The Walt Disney Studios for the Canadian broadcast rights to one of the most successful movie franchises of all time – *Star Wars*. The agreement with The Walt Disney Studios includes five of the six original classic *Star Wars* films, the Canadian network premieres of blockbuster films *Star Wars: The Force Awakens* and *Rogue One: A Star Wars Story*, plus the highly-anticipated *Star Wars: The Last Jedi* slated for theatrical release in December 2017 and the yet-to-be-released standalone Han Solo movie. The installment that launched the franchise, *Star Wars: A New Hope*, comes to Corus through a separate deal with 20th Century Fox. Beginning fall 2017, 11 films from the franchise, including the original trilogy titles and yet-to-be-seen theatrical releases, will make their debuts on Corus' conventional and specialty networks, including Global, Showcase, W Network, ABC Spark, YTV, Disney Channel, Disney XD, and more.
- On June 13, 2017, the Company's Nelvana subsidiary inked a broadcast deal with Turner International to bring the delightful adventures of *The ZhuZhus* to viewers across Europe. Nelvana's long-term broadcast license deal for the show was completed with Turner for Cartoon Network, Boomerang, Boing, and Cartoonito across the U.K., France, and the Nordics. Episodes began rolling out in the U.K. and France this June with another set of new episodes slated for November. The series will debut in the Nordic regions beginning in October.
- On June 13, 2017, the Company's Nelvana subsidiary signed on six new licensing agents for *The ZhuZhus* including Discovery Italia in Italy, License Connection in The Benelux Union (Belgium, the Netherlands, and Luxembourg), Licensing Dynamics International in Israel, Megalicense in Russia and CIS territories, Popcorn Brand Activity in Portugal and 20too Licensing in the Middle East.
- On June 13, 2017, the Company's Toon Boom subsidiary unveiled its new brand and new product, *Toon Boom Producer*, which is designed for animation studios and production companies working with *Storyboard Pro* and *Harmony*. It is a web-based production tracking and digital asset management tool that dramatically improves workflow and communication throughout the entire animation pipeline.
- On June 20, 2017, the Company's Global News received the inaugural Edward R. Murrow Award for Excellence in Innovation in the Large Market Television Category, for its revolutionary Multi-Market Content (MMC) initiative. MMC enables Global News stations to achieve many back-end production synergies while preserving local television newscasts and increasing reporting resources across the country. The RTDNA Edward R. Murrow Awards, handed out by the U.S. based RTDNA in the international category, will be presented on October 9, 2017 at the Gotham Hall in New York City.

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three and nine month periods ended May 31, 2017 is prepared at June 26, 2017. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2016 Annual Report 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 nine month period ended May 31, 2016 was lower by approximately $15.6 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 three and nine month periods ended May 31, 2017, as the third quarter of the prior year includes only two months of the operating results of the Shaw Media business, while the Pay TV business was shut down on February 29, 2016. In the prior year's quarter, the Shaw Media business generated revenues and segment profit of $275.4 million and $78.8 million, respectively.

Revenues

Consolidated revenues for the third quarter of fiscal 2017 of $461.6 million increased 28% compared to $360.8 million in the prior year. On a consolidated basis, advertising revenues, subscriber revenues, and merchandising, distribution and other revenues increased 27%, 26%, and 41%, respectively. Revenues increased in Television by 31%, but decreased in Radio by 1% in the third quarter compared to the prior year. The significant increase in revenues is mainly attributable to the Acquisition, as discussed above. On a proforma basis, including Shaw Media for the full three months in the third quarter last year, total revenues increased 3% compared to the prior year.

For the nine month period ended May 31, 2017, consolidated revenues of $1,297.8 million were up 65% from $786.8 million in the prior year. On a consolidated basis, advertising revenues and subscriber revenues increased 96% and 37%, respectively, while merchandising, distribution and other revenues decreased by 13%. The significant increase in revenues is mainly attributable to the Acquisition as discussed above, offset by the shutdown of the Pay TV business effective February 29, 2016, as well as a decrease in the Radio revenues. On a pro forma basis, including Shaw Media and excluding Pay TV for the nine month period ended May 31, 2016, total revenues declined 2% 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 third quarter of fiscal 2017 of $285.8 million increased 24% from $230.6 million in the prior year. On a consolidated basis, direct cost of sales increased 35%, other general and administrative expenses increased by 13% and employee costs increased by 14%.

For the nine month period ended May 31, 2017, direct cost of sales, general and administrative expenses of $827.3 million were up 72% from $481.2 million in the prior year. On a consolidated basis, direct cost of sales increased 88%, other general and administrative expenses increased 52%, and employee costs increased 62%. For the nine month period ended May 31, 2016, direct cost of sales excludes the amortization not taken on Pay TV program right assets of $15.6 million that were part of the disposal group.

The significant increase in direct cost of sales, general and administrative expenses in the three and nine month periods ended May 31, 2017 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 third quarter of fiscal 2017 was $175.8 million, an increase of 35% from $130.2 million last year. On a pro forma basis, including Shaw Media for the three months of the third quarter last year, segment profit increased 14% compared to the prior year. Segment profit margin for the third quarter of fiscal 2017 was 38%, up from 36% in the prior year (as reported) and up from 34% on a pro forma basis.

For the nine month period ended May 31, 2017, consolidated segment profit was $470.5 million, up 54% from $305.6 million last year. On a pro forma basis, including Shaw Media and excluding Pay TV for the nine month period ended May 31, 2016, segment profit increased 5% compared to the prior year. Segment profit margin of 36% for the nine month period ended May 31, 2017 was down from 39% in the prior year (as reported) and up from 34% on a pro forma basis. Further analysis is provided in the discussions of segmented results.

Depreciation and amortization

Depreciation and amortization expense for the third quarter of fiscal 2017 was $23.4 million, an increase from $18.8 million in the prior year. For the nine month period ended May 31, 2017, depreciation and amortization expense was $68.9 million, up from $40.4 million in the prior year. The increase in the quarter and year-to-date arises from incremental depreciation and amortization associated with property, plant and equipment, and intangible assets acquired as a result of the Acquisition.

Interest expense

Interest expense for the three and nine month periods ended May 31, 2017 was $39.9 million and $118.6 million, up from $33.7 million and $71.1 million, respectively, in the prior year. The increase is due to higher interest on long-term debt and imputed interest costs. The increase in interest on long-term debt of $4.4 million in the quarter and $41.1 million year-to-date is attributable to increased bank debt associated with financing the Acquisition. The increase in imputed interest costs of $1.8 million in the quarter and $6.3 million year-to-date is attributable to incremental long-term obligations assumed with the Acquisition.

The effective interest rate on bank loans and notes for the three and nine month periods ended May 31, 2017 was 4.8% and 4.7% compared to 4.8% and 4.6%, respectively, in the prior year. The consistent effective rates for the third quarter result from the Company's syndicated senior secured credit facilities being in place for the full quarter compared to two months in the prior year's quarter, offset by the redemption of the 4.25% senior unsecured guaranteed notes due 2020 half-way through the prior year quarter as discussed below. The higher effective rate for the year-to-date is attributable to the Company's syndicated senior secured credit facilities established April 1, 2016 in connection with the Acquisition.

Debt refinancing costs

The debt refinancing costs of $61.2 million in the third quarter of fiscal 2016 relate to a redemption premium of approximately $52.6 million associated with the redemption on April 18, 2016 of the $550.0 million 4.25% senior unsecured guaranteed notes due 2020 and $8.6 million of unamortized financing charges and bridge loan commitment fees associated with financing the acquisition of Shaw Media.

Business acquisition, integration and restructuring costs

For the three and nine month periods ended May 31, 2017, the Company incurred $4.6 million and $18.7 million of business acquisition, integration and restructuring costs compared to $29.3 million and $37.6 million, respectively, in the prior year. The current fiscal year-to-date 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 first quarter of fiscal 2017. These costs are decreasing year-over-year as a result of the completion of some of the more significant integration projects. These charges are excluded from the determination of segment profit.

Gain on disposition

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

Other expense (income), net

Other expense for three month period ended May 31, 2017 was $4.6 million, compared to income of $2.0 million in the prior year. Other expense for the nine month period ended May 31, 2017 was $7.5 million compared to $7.0 million in the prior year. The increases result primarily from foreign exchange losses, as well as higher equity loss from investees.

Income tax expense

The effective income tax rate for the three and nine month periods ended May 31, 2017 was 26.7% and 26.6%, respectively, consistent with the Company's 26.5% statutory income tax rate. The effective income tax rate for the three and nine month periods ended May 31, 2016 was a negative 1.1% and 22.6%, respectively, compared to the Company's statutory income tax rate. The lower effective income tax rate in the prior year is primarily the result of the non-taxable portion of capital gains associated with the disposition of certain Pay TV assets recorded in the second quarter of fiscal 2016.

Net income (loss) attributable to shareholders and earnings (loss) per share.

Net income attributable to shareholders for the third quarter of fiscal 2017 was $66.7 million ($0.33 per share), as compared to a net loss of $15.8 million ($0.10 loss per share) in the prior year. Net income attributable to shareholders for the current fiscal quarter includes business acquisition, integration and restructuring costs of $4.6 million ($0.02 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $70.1 million ($0.35 per share basic) in the quarter. Net loss attributable to shareholders for the prior year quarter includes 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). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $53.0 million ($0.34 per share basic) in the quarter.

Net income attributable to shareholders for the nine month period ended May 31, 2017 was $162.7 million ($0.81 per share), as compared to $127.8 million ($1.16 per share) in the prior year. Net income attributable to shareholders for fiscal 2017 year-to-date includes business acquisition, integration and restructuring costs of $18.7 million ($0.07 per share). Adjusting for this item results in an adjusted net income attributable to shareholders of $176.5 million ($0.88 per share) for the current fiscal year. Net income attributable to shareholders for the nine month period ended May 31, 2016 includes business acquisition, integration and restructuring costs of $37.6 million ($0.29 per share), debt refinancing costs of $61.2 million ($0.41 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of $86.2 million ($0.70 per share), and excludes amortization of disposed of Pay TV program and film rights of $15.6 million ($0.11 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $116.4 million ($1.05 per share basic) for the prior fiscal year-to-date.

The weighted average number of basic shares outstanding for the three and nine month periods ended May 31, 2017 was 202,297,000 and 199,827,000, respectively, compared to 156,411,000 and 110,626,000, respectively, in the prior year for the same comparable periods. The number of shares outstanding increased from the issuance of shares from treasury under the Company's dividend reinvestment plan and in connection with the Acquisition.

Other comprehensive income (loss), net of income tax

Other comprehensive income for the nine month period ended May 31, 2017 was $19.5 million, compared to a loss of $3.3 million in the prior year. For the nine month period ended May 31, 2017, comprehensive income includes an unrealized gain associated with remeasurement of fair value of cash flow hedges of $10.1 million, an actuarial gain on post-employment benefit plans of $9.3 million, unrealized gains from foreign currency translation adjustments of $0.4 million, offset by an unrealized loss in the fair value of a venture fund investment. The prior year comprehensive income includes an unrealized loss associated with remeasuring the fair value of cash flow hedges of $5.2 million, offset by actuarial gains on post-employment benefit plans of $2.0 million.

Television

The Television segment is comprised of 45 specialty television services, 15 conventional television stations and the Corus content business, which includes 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. from Shaw Communications Inc., which included 19 specialty television services, 12 Global Television branded conventional television stations, Global News and globalnews.ca, and the HistoryGO and GlobalGO apps.

Financial Highlights

	Three months ended		Nine months ended	
		May 31,		**May 31,**
(thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Revenues	**422,324**	321,176	**1,183,784**	668,326
Expenses	**251,030**	193,208	**726,670**	370,918
Segment profit [1]	**171,294**	127,968	**457,114**	297,408
Amortization of disposed assets [2]	**—**	—	**—**	(15,585)
Adjusted segment profit [1]	**171,294**	127,968	**457,114**	281,823
Adjusted segment profit margin[1]	**41%**	40%	**39%**	42%

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

The Acquisition, and the shutdown of the Pay TV business contributed to the significant year-over-year variances in the operating results for the Television segment. The third quarter of the prior year includes only two months of the operating results of the Shaw Media business but does not include the operating results of the Pay TV business which was shut down effective February 29, 2016. In the prior year's quarter, the Shaw Media business generated revenues and segment profit of $275.4 million and $78.8 million, respectively.

Revenues increased by 31% in the third quarter of fiscal 2017 as a result of a 33% increase in advertising revenues, a 26% increase in subscriber revenues, and a 47% increase in merchandising, distribution and other revenues.

The following discussion highlights revenues for the third quarter and year-to-date 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 for the same comparable periods, as applicable. On a pro forma basis, total revenues increased 3% for the third quarter, but decreased 2% year-to-date compared to the prior year.

On a pro forma basis, total advertising revenues were flat in the quarter and decreased 4% for the year-to-date compared to the prior year. TV advertising revenues are trending as expected, with sequential improvement continuing this quarter as the impact of a stronger program schedule and calendar year advertising agency contract renewals materialize.

On a pro forma basis, total subscriber revenues increased 4% both in the quarter and year-to-date. The year-over-year variances reflect the positive impact from the launch of Disney Channel (Canada) and La chaine Disney in September 2015 and the launch of Disney Jr, and Disney XD in December 2015, as well as wholesale fee increases in certain carriage agreements.

On a pro forma basis, merchandising, distribution and other revenues increased 44% in the quarter, but decreased 16% for the year-to-date. The increase in the quarter reflects a higher number of deliveries in the Nelvana content business, while the year-to-date decline is due to several multi-year subscription video-on-demand licensing deals of approximately $14.8 million in the prior year.

Total expenses in the third quarter of fiscal 2017 increased by 30% and increased 96% on a year-to-date basis. In the third quarter, direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) increased 36% and general and administrative expenses increased 22% from the prior year. On a year-to-date basis, direct cost of sales increased 90% and general and administrative expenses increased 104%. On a pro forma basis, direct cost of sales were up 3% in the third quarter of fiscal 2017, primarily as a result of timing of program investments and higher amortization of film investments, reflecting increased deliveries in the Nelvana content business. Direct cost of sales decreased 2% for the year-to-date, reflecting timing of program investments and deliveries at Nelvana. General and administrative expenses were down 9% for the

quarter and 10% for the year-to-date, primarily reflecting the realization of cost synergies from the Acquisition.

Segment profit[(1)] increased 34% in the third quarter of fiscal 2017 and 54% on a year-to-date basis. On a pro forma basis, segment profit[(1)] increased 13% in the third quarter of fiscal 2017 and 4% for the year-to-date. Segment profit margin[(1)] for the quarter was 41%, compared to 40% in the prior year or 37% on a pro forma basis and for the year-to-date was 39% compared to 45% in the prior year or 36% on a pro forma basis.

Global's spring season continues to deliver solid programming results which has improved its competitive position. Led by *Bull, NCIS, NCIS LA* and *MacGyver*, Global has increased its position in the Top 20 with 8 programs for adults 25-54 versus 4 programs in spring 2016. In the Specialty business, this spring Corus had 4 of the top 5 networks for adults 25-54 and 5 of the top 5 networks for women 25-54. The Top 5 Kids networks for children 2-11 are Corus Kids networks[(3)].

On June 5, 2017, Global unveiled its fiscal 2018 primetime lineup featuring six new dramas and four new comedies which will join 23 returning primetime series. With a solid 16 hours of weekly simulcast, Global is positioned well for the upcoming fall season.

On June 8, 2017, Corus announced a multi-year licensing agreement with The Walt Disney Studios for the broadcast rights to one of the most successful movie franchises of all time – *Star Wars*. Beginning fall 2017, 11 films from the franchise, including the original trilogy titles and yet-to-be-seen theatrical releases, will make their debuts on Corus' conventional and specialty networks, including Global, Showcase, W Network, ABC Spark, YTV, Disney Channel, Disney XD, and more.

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

(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 nine month period ended May 31, 2016 was lower by approximately $15.6 million than it would have been had amortization on these assets not ceased. Adjusting for this, segment profit and segment profit margin for the year-to-date in fiscal 2016 would have been $281.8 million and 42%, respectively. Further discussion is provided in note 27 of the Company's audited annual consolidated financial statements for the year ended August 31, 2016.

(3) Based on Numeris TV Meter, Total Canada, Global Spring 2017 (Jan 2/17-May 28/17), Canadian Commercial Specialty networks Spring 2017 (Jan 2/17-May 28/17), ex. Sports stations, Adults ages 25-54 and Women ages 25-54, and Kids networks Spring 2017 (Jan 2/17-May 28/17), including non-commercial stations, Kids ages 2-11.

Radio

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

Financial Highlights

	Three months ended		Nine months ended	
		May 31,		**May 31,**
(thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Revenues	**39,304**	39,648	**114,012**	118,521
Expenses	**27,706**	29,983	**82,787**	90,871
Segment profit[1]	**11,598**	9,665	**31,225**	27,650
Segment profit margin [1]	**30%**	24%	**27%**	23%

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

Revenues decreased 1% in the third quarter of fiscal 2017 compared to the prior year and decreased 4% for the year-to-date. The improvement in advertising revenues in the quarter to flat compared to the prior year was driven by strong year-over-year growth in national sales offset by continued softness in local sales. Overall, the Ontario markets remained stable with continued strong growth in Ottawa and Kitchener. In the West, soft economic conditions persisted in Alberta, which was offset by improved performance in Vancouver. Winnipeg's December 2016 programming changes, while improving ratings, have yet to translate into revenue growth.

Direct cost of sales, general and administrative expenses decreased 8% in the third quarter of fiscal 2017 and 9% for the year-to-date. Direct costs of sales decreased 7% in the quarter and 6% year-to-date, while general and administrative costs decreased 8% in the third quarter and 9% year-to-date. The significant decrease in general and administrative costs is attributable to the realization of cost synergies discussed below.

Radio's segment profit increased 20% in the third quarter of fiscal 2017 and 13% year-to-date, with a segment profit margin of 30% in the quarter and 27% for the year-to-date, compared to 24% and 23%, respectively, in the prior year. On April 1, 2016, in conjunction with the Shaw Media acquisition, the Company announced a new organizational structure that benefits from 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, fiscal 2017 results reflect the continued realization of cost synergies derived from these efforts.

Subsequent to the quarter, the Spring PPM audience ratings were released, with solid results and gains in key markets since the Winter PPM ratings book. Highlights in the Adults 25-54 demographic segment include the following: Calgary's Country 105 maintained its number one ranked position and Q107 moved up two rank positions from the previous book to number four; Edmonton's CISN Country 103.9 dropped one ranked position to number three but 630 CHED gained a ranked position to number five in part due to the Oilers' strong season and playoff run; and, Toronto's Q107 and 102.1 The Edge maintained their ranked positions from the winter. In the Numeris diary markets, Ottawa's BOOM FM moved to its best ever rank at number four; Kitchener's 107.5 DAVE Rocks moved into the number two position from number four a year ago; and, Winnipeg's relaunch of heritage brand Power 97 has resulted in a move from number nine a year ago to number four overall and is tied for the number three morning show in the market; Peggy 99.1 is also showing positive momentum in its first book since re-launch, almost doubling its share from 1.9 last fall to 3.6 this spring.

Corporate

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

Financial Highlights

	Three months ended		Nine months ended	
		May 31,		**May 31,**
(thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Share-based compensation	**2,204**	2,026	**5,677**	2,816
Other general and administrative costs	**4,875**	5,421	**12,180**	16,599
	7,079	7,447	**17,857**	19,415

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

The increase in share-based compensation expense in the third quarter of fiscal 2017 is due to a year-over-year increase in share price. Higher share-based compensation expense for the nine month period ended May 31, 2017 reflects an expanded number of participants in the long-term incentive plans, an increase in the number of units estimated to hit vesting targets, and a higher share price in the current year.

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

Quarterly Consolidated Financial Information

Seasonal fluctuations

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

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

(thousands of Canadian dollars, except per share amounts)

					Earnings per share		
	Revenues	Segment profit [1]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders	Basic	Diluted	Adjusted basic
2017							
3rd quarter	**461,628**	**175,813**	**66,719**	**70,141**	**$ 0.33**	**$ 0.33**	**$ 0.35**
2nd quarter	368,187	102,683	24,881	25,577	$ 0.12	$ 0.12	$ 0.13
1st quarter	467,981	191,986	71,146	80,826	$ 0.36	$ 0.36	$ 0.41
2016							
4th quarter	384,467	105,371	25	14,535	$ —	$ —	$ 0.07
3rd quarter	360,824	130,186	(15,766)	52,950	$ (0.10)	$ (0.10)	$ 0.34
2nd quarter	197,705	79,579	102,232	20,944	$ 1.17	$ 1.17	$ 0.24
1st quarter	228,318	95,878	41,320	42,484	$ 0.47	$ 0.47	$ 0.49
2015							
4th quarter	193,599	55,493	17,835	23,967	$ 0.21	$ 0.21	$ 0.28

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

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the third quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $4.6 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $0.9 million ($0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of $19.6 million ($0.07 per share).
- Revenues, segment profit and net income attributable to shareholders for the third quarter of fiscal 2016 was positively impacted by the Acquisition and inclusion of its operating results effective April 1, 2016; however, it was negatively impacted by the shutdown of the Pay TV business effective February 29, 2016. Net income attributable to shareholders for the third quarter of fiscal 2016 was also negatively impacted by business acquisition, integration and restructuring costs of $29.3 million ($0.15 per share) and debt refinancing costs of $61.2 million ($0.29 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2016 was positively impacted by a gain of $86.2 million ($0.87 per share) resulting from a gain on disposition of assets relating to the Pay TV business, amortization ceasing on certain programming assets disposed of at the end of the quarter of $14.2 million ($0.12 per share), and negatively impacted by restructuring costs of $6.0 million ($0.06 per share). In addition, segment profit was also positively impacted by the cessation of amortization on the aforementioned Pay TV programming assets by $14.2 million.
- Net income attributable to shareholders for the first quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of $2.4 million ($0.03 per share) and positively impacted by amortization ceasing on certain programming assets reclassified as held for disposal of $1.4 million ($0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of $8.3 million ($0.07 per share).

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 its Annual Report.

Financial Position

Total assets at May 31, 2017 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 May 31, 2017 were $586.8 million, up $116.7 million from August 31, 2016. Cash and cash equivalents increased by $6.6 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $106.0 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 decreased $2.6 million from year end as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Investments and other assets increased $5.2 million from year end, primarily as a result of additional investments in Venture funds and unrealized gains on defined benefit pension plans, offset by equity losses from associates.

Property, plant and equipment decreased $23.9 million from year end, as a result of depreciation expense exceeding additions for the nine month period ended May 31, 2017.

Program and film rights increased $5.6 million from year end, as additions of acquired rights of $396.6 million were offset by amortization of $391.0 million.

Film investments increased $0.9 million from year end, as film spending (net of tax credit accruals) of $17.7 million was offset by film amortization of $16.8 million.

Intangibles decreased $22.9 million from year end, primarily as a result of amortization of finite life intangibles exceeding additions. Goodwill decreased $3.0 million from August 31, 2016 as a result of working capital settlements on the Acquisition.

Accounts payable and accrued liabilities increased $89.1 million from year end, primarily as a result of higher accruals for program rights, film production, and trade mark liabilities, offset by lower accrued liabilities. The decrease in accrued liabilities relate primarily to the reduction in the short-term portion of tangible benefits, other working capital accruals and short-term compensation accruals.

Provisions, including the long-term portion, at May 31, 2017 was $26.9 million compared to $30.3 million at August 31, 2016. The decrease of $3.4 million from August 31, 2017 is a result of payments made related to restructuring exceeding additions, offset by the addition of an onerous premise lease provision during fiscal 2017.

Long-term debt, including current portion, as at May 31, 2017 was $2,115.2 million compared to $2,196.0 million as at August 31,2016. As at May 31, 2017 the $158.1 million classified as the current portion of long-term debt reflects the mandatory repayment on the debt in the next twelve months. During the nine month period ended May 31, 2017, the Company repaid bank loans of $85.6 million and amortized $4.8 million of deferred financing charges.

Other long-term liabilities decreased by $81.4 million from year end, primarily from decreases in long-term program rights payable, the fair value of the interest rate swaps, long-term employee obligations, intangible liabilities, and CRTC benefit obligations, offset by an increase in unearned revenues.

Share capital increased $92.2 million, as a result of the issuance of shares from treasury under the Company's dividend reinvestment plan. Contributed surplus increased $0.6 million due to share-based compensation expense.

Liquidity and Capital Resources

Cash flows

Overall, the Company's cash and cash equivalents position increased by $22.2 million in the third quarter of fiscal 2017 and increased by $6.6 million over the nine month period ended May 31, 2017. Free cash flow for the three and nine month periods ended May 31, 2017 was $82.5 million and $212.5 million, respectively, compared to free cash flow of $67.9 million and $126.8 million in the comparable periods of the prior year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash flow from operating activities for the three and nine month periods ended May 31, 2017 was $84.7 million and $209.0 million, respectively, compared to $63.8 million and $127.2 million in the comparable periods of the prior year. The increase in the current fiscal year arises from higher cash flow from operations, primarily as a result of the Acquisition, offset by lower cash provided by working capital.

Cash provided by investing activities in the three month period ended May 31, 2017 was $0.5 million compared to cash used of $1,845.0 million in the prior year. Cash used in investing activities for the nine month period ended May 31, 2017 was $10.1 million compared to $1,650.4 million in the prior year. The decrease in the current fiscal year is primarily due to the significant M&A activity in the prior year. The prior year's investing activities includes the cash portion of the Acquisition of $1.8 billion in the third quarter, offset by the net cash proceeds received from Bell relating to the shutdown of the Pay TV business of $209.5 million in the second quarter (refer to note 27 of the audited consolidated financial statements for the year ended August 31, 2016 for further details). In the third quarter of fiscal 2017, the Company received from Shaw Communications Inc., payment of $3.0 million related to the finalization of working capital amounts on the purchase of Shaw Media.

Cash used in financing activities in the three and nine month periods ended May 31, 2017 was $62.9 million and $192.3 million, respectively, compared to cash provided by of $1,793.5 million and $1,553.4 million in the comparable periods of the prior year. In the third quarter of fiscal 2017, the Company decreased bank debt by $28.1 million and paid dividends of $34.3 million. On a year-to-date basis, the Company decreased bank debt by $85.6 million and paid dividends of $105.7 million. In fiscal 2016, the Company increased bank debt in the quarter and year-to-date by $2,176.0 million and $1,987.3 million, respectively, raised $276.5 million from the issuance of subscription receipts, redeemed Notes for $605.7 million (inclusive of redemption premium), paid dividends in the quarter and year-to-date of $32.3 million and $77.6 million, respectively, incurred debt refinancing costs of $55.7 million, incurred financing fees in the quarter and year-to-date of $20.2 million and $23.6 million, respectively, and made capital lease payments in the quarter and year-to-date of $1.0 million and $3.6 million, respectively.

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 within these internally imposed objectives.

As at May 31, 2017, the Company had available approximately $300.0 million under the Revolving Facility, of which $284.8 million could be drawn, and was in compliance with all loan covenants. As at May 31, 2017, the Company had a net cash balance of $78.0 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.

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 May 31, 2017, net debt was $2,037.2 million, down from $2,124.7 million at August 31, 2016. Net debt to segment profit at May 31, 2017 was 3.5 times, down from 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

As at May 31, 2017, total capitalization was $4,622.4 million, an increase of $21.4 million from August 31, 2016. The increase is attributable to the issuance of $92.2 million of shares from treasury under the Company's dividend reinvestment plan, higher net income and other comprehensive income, and lower net debt.

Off-Balance Sheet arrangements and derivative financial instruments

During the third quarter of fiscal 2016, the Company entered into interest rate swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at May 31, 2017 is $0.7 million, which has been recorded in the interim condensed consolidated statements of financial position as a liability.

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 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. Adjusted segment profit and adjusted segment profit margin do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Adjusted segment profit and adjusted 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.

(thousands of Canadian dollars)	Three months ended May 31, 2017	2016	Nine months ended May 31, 2017	2016
Adjusted segment profit				
Reported segment profit	**175,813**	130,186	**470,482**	305,643
Adjustments:				
Amortization not taken on Pay TV assets disposed of	**—**	—	**—**	(15,585)
Adjusted segment profit	**175,813**	130,186	**470,482**	290,058
Adjusted segment profit margin	**38%**	36%	**36%**	37%

Free cash flow

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

(thousands of Canadian dollars)	Three months ended May 31, 2017	2016	Nine months ended May 31, 2017	2016
Cash provided by (used in):				
Operating activities	**84,672**	63,765	**209,019**	127,214
Investing activities	**457**	(1,845,027)	**(10,058)**	(1,650,352)
	85,129	(1,781,262)	**198,961**	(1,523,138)
Add back: cash provided from (used for) business combinations and strategic investments [1][2]	**(2,602)**	1,849,209	**13,497**	1,859,380
Deduct: net proceeds from disposition	**—**	—	**—**	(209,474)
Free cash flow	**82,527**	67,947	**212,458**	126,768

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

[2] Adjusted to remove the impact of disposing the Pay TV business.

Free cash flow in the current year reflects the inclusion of Shaw Media business, while the prior year quarter only includes two months of the Shaw Media business from the date of Acquisition.

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		Nine months ended	
		May 31,		**May 31,**
(thousands of Canadian dollars, except per share amounts)	**2017**	2016	**2017**	2016
Net income (loss) attributable to shareholders	**66,719**	(15,766)	**162,746**	127,786
Adjustments, net of income tax:				
Gain on disposal of Pay TV assets	**—**	—	**—**	(76,631)
Amortization of Pay TV assets disposed of	**—**	—	**—**	(11,455)
Business acquisition, integration and restructuring costs	**3,422**	23,699	**13,798**	31,661
Debt refinancing costs	**—**	45,017	**—**	45,017
Adjusted net income attributable to shareholders	**70,141**	52,950	**176,544**	116,378
Basic earnings (loss) per share	**$0.33**	$(0.10)	**$0.81**	$1.16
Adjustments, net of income tax:				
Gain on disposal of Pay TV assets	**—**	—	**—**	(0.70)
Amortization of Pay TV assets disposed of	**—**	—	**—**	(0.11)
Business acquisition, integration and restructuring costs	**0.02**	0.15	**0.07**	0.29
Debt refinancing costs	**—**	0.29	**—**	0.41
Adjusted basic earnings per share	**$0.35**	$0.34	**$0.88**	$1.05

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.

	As at May 31,	As at August 31,
(thousands of Canadian dollars)	**2017**	2016
Total bank debt and notes	**2,115,208**	2,196,020
Cash and cash equivalents	**(78,011)**	(71,363)
Net debt	**2,037,197**	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.

	As at May 31,	As at August 31,
(thousands of Canadian dollars)	**2017**	2016
Net debt (numerator)	**2,037,197**	2,124,657
Segment profit (denominator) [1]	**575,853**	411,014
Net debt to segment profit	**3.5**	5.2

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

As at May 31, 2017, net debt was $2,037.2 million, down from $2,124.7 million as at August 31, 2016. Net debt to segment profit as at May 31, 2017 was 3.5 times compared to 5.2 times as 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. The decrease from the prior year in net debt reflects debt repayments of $85.6 million made during fiscal 2017.

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 May 31, 2017 interim condensed consolidated financial statements.

Changes in accounting policies

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

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

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

Controls and Procedures

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the three month period ended May 31, 2017 that have materially affected or are likely to materially affect, the Company's internal controls over financial reporting.

Consolidated Financial Statements and Notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	**As at May 31, 2017**	As at August 31, 2016
ASSETS		
Current		
Cash and cash equivalents	**78,011**	71,363
Accounts receivable	**485,820**	379,861
Prepaid expenses and other assets	**22,921**	18,835
Total current assets	**586,752**	470,059
Tax credits receivable	**17,293**	19,860
Investments and other assets (note 4)	**51,966**	46,759
Property, plant and equipment	**258,211**	282,105
Program rights (note 5)	**687,892**	682,268
Film investments (note 6)	**46,101**	45,164
Intangibles (note 7)	**2,053,339**	2,076,237
Goodwill	**2,387,652**	2,390,652
Deferred income tax assets	**80,334**	80,281
	6,169,540	6,093,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**482,513**	393,367
Current portion of long-term debt (note 9)	**158,125**	115,000
Provisions (note 8)	**15,737**	21,390
Income taxes payable	**22,641**	1,982
Total current liabilities	**679,016**	531,739
Long-term debt (note 9)	**1,957,083**	2,081,020
Other long-term liabilities	**449,372**	530,767
Provisions (note 8)	**11,124**	8,905
Deferred income tax liabilities	**487,739**	464,607
Total liabilities	**3,584,334**	3,617,038
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**2,260,779**	2,168,543
Contributed surplus	**11,076**	10,444
Retained earnings	**146,790**	142,499
Accumulated other comprehensive income (loss)	**6,627**	(3,569)
Total equity attributable to shareholders	**2,425,272**	2,317,917
Equity attributable to non-controlling interest	**159,934**	158,430
Total shareholders' equity	**2,585,206**	2,476,347
	6,169,540	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 May 31, 2017	Three months ended May 31, 2016	Nine months ended May 31, 2017	Nine months ended May 31, 2016
Revenues	**461,628**	360,824	**1,297,796**	786,847
Direct cost of sales, general and administrative expenses (note 11)	**285,815**	230,638	**827,314**	481,204
Depreciation and amortization	**23,390**	18,776	**68,943**	40,384
Interest expense (note 12)	**39,918**	33,697	**118,595**	71,074
Debt refinancing	**—**	61,248	**—**	61,248
Business acquisition, integration and restructuring costs	**4,638**	29,264	**18,718**	37,639
Gain on disposition	**—**	—	**—**	(86,151)
Other (income) expense, net (note 13)	**4,626**	(2,018)	**7,521**	7,036
Income (loss) before income taxes	**103,241**	(10,781)	**256,705**	174,413
Income tax expense (note 14)	**27,551**	120	**68,330**	39,357
Net income (loss) for the period	**75,690**	(10,901)	**188,375**	135,056
Net income (loss) attributable to:				
Shareholders	**66,719**	(15,766)	**162,746**	127,786
Non-controlling interest	**8,971**	4,865	**25,629**	7,270
	75,690	(10,901)	**188,375**	135,056
Earnings (loss) per share attributable to shareholders:				
Basic	**$0.33**	$(0.10)	**$0.81**	$1.16
Diluted	**$0.33**	$(0.10)	**$0.81**	$1.15
Net income (loss) for the period	**75,690**	(10,901)	**188,375**	135,056
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**191**	(527)	**404**	(61)
Unrealized change in fair value of available-for-sale investments	**(271)**	114	**(271)**	(10)
Unrealized change in fair value of cash flow hedges	**(3,253)**	(5,527)	**10,063**	(5,208)
Actuarial gain (loss) on employee post-employment benefits	**(3,756)**	1,970	**9,309**	1,970
	(7,089)	(3,970)	**19,505**	(3,309)
Comprehensive income (loss) for the period	**68,601**	(14,871)	**207,880**	131,747
Comprehensive income (loss) attributable to:				
Shareholders	**59,630**	(19,736)	**182,251**	124,477
Non-controlling interest	**8,971**	4,865	**25,629**	7,270
	68,601	(14,871)	**207,880**	131,747

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	—	—	162,746	19,505	182,251	25,629	207,880
Dividends declared	—	—	(172,264)	—	(172,264)	(27,125)	(199,389)
Issuance of shares under dividend reinvestment plan	92,236	—	—	—	92,236	—	92,236
Actuarial gain on post-retirement benefit plans	—	—	9,309	(9,309)	—	—	—
Share-based compensation expense	—	632	—	—	632	—	632
Reallocation of equity interest (note 17)	—	—	4,500	—	4,500	3,000	7,500
At May 31, 2017	**2,260,779**	**11,076**	**146,790**	**6,627**	**2,425,272**	**159,934**	**2,585,206**
At August 31, 2015	994,571	9,471	191,182	7,353	1,202,577	17,334	1,219,911
Comprehensive income	—	—	127,786	(3,309)	124,477	7,270	131,747
Dividends declared	—	—	(115,152)	—	(115,152)	(13,002)	(128,154)
Issuance of shares under public equity offering	279,762	—	—	—	279,762	—	279,762
Issuance of shares to related party	833,541	—	—	—	833,541	—	833,541
Existing non-controlling ownership interest from acquisition	—	—	—	—	—	147,656	147,656
Issuance of shares under dividend reinvestment plan	30,292	—	—	—	30,292	—	30,292
Actuarial gain on post-retirement benefit plans	—	—	1,970	(1,970)	—	—	—
Share-based compensation expense	—	669	—	—	669	—	669
At May 31, 2016	2,138,166	10,140	205,786	2,074	2,356,166	159,258	2,515,424

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended	May 31,	Nine months ended	May 31,
(unaudited - in thousands of Canadian dollars)	**2017**	2016	**2017**	2016
OPERATING ACTIVITIES				
Net income (loss) for the period	**75,690**	(10,901)	**188,375**	135,056
Adjustments to reconcile net income (loss) to cash flow from operations:				
Amortization of program rights (note 5)	**136,598**	100,533	**391,009**	198,786
Amortization of film investments (note 6)	**7,815**	6,346	**16,777**	13,890
Depreciation and amortization	**23,390**	18,776	**68,943**	40,384
Deferred income taxes	**8,584**	(10,450)	**15,798**	(22,357)
Share-based compensation expense	**178**	213	**632**	669
Imputed interest (note 12)	**13,442**	11,675	**39,195**	32,906
Debt refinancing costs	**—**	61,248	**—**	61,248
Gain on disposition	**—**	—	**—**	(86,151)
Payment of program rights	**(132,557)**	(103,274)	**(375,919)**	(215,788)
Net additions to film investments	**(11,106)**	(13,021)	**(17,534)**	(31,702)
CRTC benefit payment	**(5,609)**	(4,247)	**(17,581)**	(8,527)
Other	**893**	1,447	**2,235**	4,143
Cash flow from operations	**117,318**	58,345	**311,930**	122,557
Net change in non-cash working capital balances related to operations	**(32,646)**	5,420	**(102,911)**	4,657
Cash provided by operating activities	**84,672**	63,765	**209,019**	127,214
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(2,160)**	(4,100)	**(13,567)**	(10,956)
Net proceeds from disposition	**—**	—	**—**	209,474
Business combinations, net of acquired cash	**3,000**	(1,836,847)	**3,000**	(1,839,323)
Proceeds from disposition of non-controlling interest	**—**	—	**5,250**	1,684
Net cash flows for intangibles, investments and other assets	**(383)**	(4,080)	**(4,741)**	(11,231)
Cash provided by (used in) investing activities	**457**	(1,845,027)	**(10,058)**	(1,650,352)
FINANCING ACTIVITIES				
Increase (decrease) in bank loans	**(28,144)**	2,176,029	**(85,616)**	1,987,295
Redemption of notes	**—**	(550,000)	**—**	(550,000)
Debt refinancing costs	**—**	(55,671)	**—**	(55,671)
Financing fees	**—**	(20,167)	**—**	(23,595)
Share subscription net of issuance costs	**—**	276,529	**—**	276,529
Dividends paid	**(25,716)**	(24,453)	**(78,600)**	(64,569)
Dividends paid to non-controlling interest	**(8,540)**	(7,853)	**(27,125)**	(13,002)
Other	**(495)**	(964)	**(972)**	(3,634)
Cash provided by (used in) financing activities	**(62,895)**	1,793,450	**(192,313)**	1,553,353
Net change in cash and cash equivalents during the period	**22,234**	12,188	**6,648**	30,215
Cash and cash equivalents, beginning of the period	**55,777**	55,449	**71,363**	37,422
Cash and cash equivalents, end of the period	**78,011**	67,637	**78,011**	67,637

Supplemental cash flow disclosures (note 16)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
May 31, 2017

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

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

These interim condensed consolidated statements of the Company for the three and nine months ended May 31, 2017 were authorized for issue in accordance with a resolution of the Company's Audit Committee on June 26, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Changes in accounting policies

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

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

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

IFRS 16 – *Leases*

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

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance - August 31, 2016	15,483	31,276	46,759
Increase (decrease) in investment	(2,165)	7,372	5,207
Balance - May 31, 2017	**13,318**	**38,648**	**51,966**

5. PROGRAM RIGHTS

Balance - August 31, 2016	682,268
Net additions	396,633
Amortization	(391,009)
Balance - May 31, 2017	**687,892**

6. FILM INVESTMENTS

Balance - August 31, 2016	45,164
Net additions	17,714
Amortization	(16,777)
Balance - May 31, 2017	**46,101**

7. INTANGIBLES

	Broadcast Licenses [1]	Other [2]	Total
Balance - August 31, 2016	984,889	1,091,348	2,076,237
Net additions	—	8,653	8,653
Amortization	—	(31,551)	(31,551)
Balance - May 31, 2017	**984,889**	**1,068,450**	**2,053,339**

[1] Broadcast licenses are located in Canada.

[2] Other intangibles are comprised of brands, trade marks and software.

8. PROVISIONS

The continuity of provisions is as follows:

	Restructuring	Onerous lease obligation	Asset retirement obligation	Other	Total
Balance - August 31, 2016	21,695	—	8,015	585	30,295
Additions	9,988	8,436	294	—	18,718
Payments	(18,689)	(3,463)	—	—	(22,152)
Balance - May 31, 2017	**12,994**	**4,973**	**8,309**	**585**	**26,861**
Current	10,179	4,973	—	585	15,737
Long-term	2,815	—	8,309	—	11,124
Balance - May 31, 2017	**12,994**	**4,973**	**8,309**	**585**	**26,861**

9. LONG-TERM DEBT

	May 31, 2017	August 31, 2016
Bank loans	**2,132,478**	2,218,055
Unamortized financing fees	**(17,270)**	(22,035)
	2,115,208	2,196,020
Less: current portion of bank loans	**(158,125)**	(115,000)
	1,957,083	2,081,020

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at May 31, 2017, the weighted average interest rate on the outstanding bank loans and was 4.7% (2016 – 4.7%). Interest on the bank loans averaged 4.8% and 4.7% for the three and nine month periods ended May 31, 2017, respectively (2016 – 4.8% and 4.6%, includes Notes interest).

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 May 31, 2017.

Credit Facilities

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

In connection with the closing of the Acquisition of Shaw Media (the "Acquisition"), Corus established

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

Term Facility

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

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

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to 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 May 31, 2017, all of the Revolving Facility was available, of which $284.8 million could be drawn.

Swap agreements

On May 31, 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $457.0 million and $1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The estimated fair value of these agreements as at May 31, 2017 is $0.7 million, which has been recorded in the interim condensed consolidated statements of financial position as a liability. 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.

	Voting Shares		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	—	—	7,524,071	92,236	92,236
Balance - May 31, 2017	**3,425,792**	**26,529**	**200,522,070**	**2,234,250**	**2,260,779**

Class B Share subscription receipts

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the "Equity Offering") of 25.4 million subscription receipts of Corus (the "Subscription Receipts") at a price of $9.00 per Subscription Receipt, for gross proceeds of approximately $228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3.81 million Subscription Receipts at a price of $9.00 per Subscription Receipt, for additional gross proceeds of approximately $34.3 million, representing total gross proceeds from the Equity Offering of $262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3.56 million Subscription Receipts on a private placement basis (the "Concurrent Private Placement") from Corus at a price of $9.00 per Subscription Receipt, for gross proceeds of $32.0 million. Issuance costs, net of tax of $8.9 million and a subscription receipt adjustment payment of $6.2 million were incurred, resulting in net proceeds of $279.8 million.

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

Earnings (loss) per share

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

	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Net income (loss) attributable to shareholders (numerator)	**66,719**	(15,766)	**162,746**	127,786
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**202,297**	156,411	**199,827**	110,626
Effect of dilutive securities	**352**	175	**237**	103
Weighted average number of shares outstanding - diluted	**202,649**	156,586	**200,064**	110,729

The calculation of diluted earnings (loss) per share for both the third quarter and year-to-date of fiscal 2017 excluded 2,401 and 2,545, respectively (2016 – 2,493), weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

Share-based compensation

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

	May 31, 2017	August 31, 2016
Outstanding employee stock options	**5,274,973**	3,753,873
Exercisable employee stock options	**2,264,248**	1,637,123
Outstanding PSUs	**1,211,549**	1,025,934
Outstanding DSUs	**1,100,934**	1,002,367
Outstanding RSUs	**401,894**	237,483

Share-based compensation expense recorded for the third quarter and year-to-date of fiscal 2017 in respect of these plans was $2,204 and $5,677 (2016 – $2,026 and $2,816). As at May 31, 2017, the carrying value of the liability for PSU, DSU and RSU units was $18,723 (August 31, 2016 – $15,984).

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Direct cost of sales				
Amortization of program rights [(1)]	**136,598**	100,533	**391,009**	198,786
Amortization of film investments	**7,815**	6,346	**16,777**	13,890
Other cost of sales	**7,257**	5,588	**18,009**	13,828
General and administrative expenses				
Employee costs	**80,764**	71,011	**239,097**	147,841
Other general and administrative	**53,381**	47,160	**162,422**	106,859
	285,815	230,638	**827,314**	481,204

[(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 nine month period ended November 30, 2015 by $15.6 million.

12. INTEREST EXPENSE

	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Interest on long-term debt	**25,862**	21,469	**77,741**	36,650
Imputed interest on long-term liabilities	**13,442**	11,675	**39,195**	32,906
Other	**614**	553	**1,659**	1,518
	39,918	33,697	**118,595**	71,074

13. OTHER EXPENSE (INCOME), NET

	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Interest income	**(184)**	(579)	**(935)**	(682)
Foreign exchange loss (gain)	**4,195**	(4,164)	**7,411**	38
Equity loss of investees	**871**	1,365	**2,114**	4,997
Film investment impairment recovery	**—**	(126)	**—**	(880)
Venture fund distribution	**—**	—	**—**	(533)
Other	**(256)**	1,486	**(1,069)**	4,096
	4,626	(2,018)	**7,521**	7,036

During the first quarter of 2016, the Company received cash proceeds of $1,684 relating to the disposed investment, of which $1,151 related 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:

	Nine months ended May 31, 2017		Nine months ended May 31, 2016	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**68,057**	**26.5%**	46,220	26.5%
(Income)/loss subject to tax at less than statutory rates	**(7)**	**(0.0%)**	(18)	(0.0%)
Non-taxable portion of capital gains	**—**	**—%**	(27,828)	(16.0%)
Goodwill related to disposition	**—**	**—%**	14,402	8.3%
Transaction costs	**(302)**	**(0.1%)**	4,313	2.5%
Increase of various tax reserves	**339**	**0.1%**	620	0.4%
Miscellaneous differences	**243**	**0.1%**	1,648	0.9%
	68,330	**26.6%**	39,357	22.6%

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

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

Revenues and segment profit

Three months ended May 31, 2017

	Television	Radio	Corporate	Consolidated
Revenues	**422,324**	**39,304**	**—**	**461,628**
Direct cost of sales, general and administrative expenses	**251,030**	**27,706**	**7,079**	**285,815**
Segment profit (loss)	**171,294**	**11,598**	**(7,079)**	**175,813**
Depreciation and amortization				**23,390**
Interest expense				**39,918**
Business acquisition, integration and restructuring costs				**4,638**
Other expense, net				**4,626**
Income before income taxes				**103,241**

Three months ended May 31, 2016

	Television	Radio	Corporate	Consolidated
Revenues	321,176	39,648	—	360,824
Direct cost of sales, general and administrative expenses	193,208	29,983	7,447	230,638
Segment profit (loss)	127,968	9,665	(7,447)	130,186
Depreciation and amortization				18,776
Interest expense				33,697
Debt refinancing				61,248
Business acquisition, integration and restructuring costs				29,264
Other income, net				(2,018)
Loss before income taxes				(10,781)

Nine months ended May 31, 2017

	Television	**Radio**	**Corporate**	**Consolidated**
Revenues	**1,183,784**	**114,012**	**—**	**1,297,796**
Direct cost of sales, general and administrative expenses	**726,670**	**82,787**	**17,857**	**827,314**
Segment profit (loss)	**457,114**	**31,225**	**(17,857)**	**470,482**
Depreciation and amortization				**68,943**
Interest expense				**118,595**
Business acquisition, integration and restructuring costs				**18,718**
Other expense, net				**7,521**
Income before income taxes				**256,705**

Nine months ended May 31, 2016

	Television	Radio	Corporate	Consolidated
Revenues	668,326	118,521	—	786,847
Direct cost of sales, general and administrative expenses	370,918	90,871	19,415	481,204
Segment profit (loss)	297,408	27,650	(19,415)	305,643
Depreciation and amortization				40,384
Interest expense				71,074
Gain on disposition				(86,151)
Debt refinancing				61,248
Business acquisition, integration and restructuring costs				37,639
Other expense, net				7,036
Income before income taxes				174,413

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

Revenues are derived from the following areas:

	Three months ended		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Advertising	**304,550**	238,895	**853,901**	435,568
Subscriber fees	**127,539**	100,949	**379,556**	277,549
Merchandising, distribution and other	**29,539**	20,980	**64,339**	73,730
	461,628	360,824	**1,297,796**	786,847

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		Nine months ended	
		May 31,		**May 31,**
	2017	2016	**2017**	2016
Interest paid	**26,411**	23,365	**79,880**	39,642
Interest received	**184**	579	**935**	682
Income taxes paid	**10,687**	16,469	**31,607**	27,019

17. BUSINESS COMBINATIONS AND DIVESTITURES

Disposition of 19.8% interest in the Cooking Channel

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

Acquisition of Shaw Media Inc.

On April 1, 2016, the Company acquired the shares of Shaw Media Inc. from Shaw Communications Inc. The acquisition was a business combination between entities under common control and was accounted for by the Company using the acquisition method. Final valuations of certain items are now complete, therefore the purchase price allocation has been finalized as at February 28, 2017. In the third quarter of fiscal 2017, the Company received from Shaw Communications Inc., payment of $3,000 related to the finalization of working capital amounts on the purchase of Shaw Media.

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

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

On November 19, 2015, the Company determined that the carrying value of certain programming assets, broadcast licenses, and goodwill, along with some directly associated program right liabilities formed a disposal group, whose value would not be recovered principally through continuing use. Accordingly, at that date the disposal group was presented separately in the statement of financial position as held for sale in accordance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, measured at the lower of carrying value and the fair value less costs to sell, and amortization of intangible assets ceased. As a result, amortization in the Television segment for the nine months ended May 31, 2016 is lower by approximately $15,585 than it would have been had these assets continued to be amortized.

The results of the operations of the Company's Pay TV business were included in the Television segment until February 29, 2016. A gain of $86,151 was recorded resulting from cash proceeds of $211,000 less the carrying value of the disposal group.

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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