Second Quarter 2018 Report to Shareholders

For the Three and Six months ended February 28, 2018 (unaudited)

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FINANCIAL HIGHLIGHTS

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

(in thousands of Canadian dollars except per share amounts)	Three months ended February 28,		Six months ended February 28,	
	2018	2017	**2018**	2017
Revenues				
Television	**336,222**	335,896	**751,686**	761,460
Radio	**33,243**	32,291	**75,167**	74,708
	369,465	368,187	**826,853**	836,168
Segment profit [(1)]				
Television	**103,646**	101,399	**272,248**	285,820
Radio	**6,883**	6,341	**20,404**	19,627
Corporate	**2,230**	(5,057)	**(2,006)**	(10,778)
	112,759	102,683	**290,646**	294,669
Net income attributable to shareholders	**40,042**	24,881	**117,715**	96,027
Adjusted net income attributable to shareholders [(1)]	**41,880**	25,577	**120,765**	106,403
Basic earnings per share	**$0.19**	$0.12	**$0.57**	$0.48
Adjusted basic earnings per share [(1)]	**$0.20**	$0.13	**$0.58**	$0.53
Diluted earnings per share	**$0.19**	$0.12	**$0.57**	$0.48
Free cash flow [(1)]	**82,073**	96,022	**165,288**	129,931

[(1)] Segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions, explanations and reconciliations see discussion under the Key Performance Indicators section of the Fiscal 2018 Report to Shareholders.

SIGNIFICANT EVENTS IN THE QUARTER

- On December 5, 2017, the Group-based Licensing updated applications for all major media groups were gazetted. Interventions were filed on January 23, 2018 and Corus submitted its reply to interventions on February 2, 2018. On March 26, 2018, the Commission issued a request for further information to all three major broadcast groups. Replies are due on April 6, 2018. For more details see http://crtc.gc.ca/eng/archive/2017/2017-428.htm and http://crtc.gc.ca/eng/archive/2017/2017-429.htm.
- On December 7, 2017, the Company's Treehouse direct-to-consumer app was featured in Apple's App Store Best of 2017. The Treehouse app retails for $4.99 per month and enables preschoolers and their families to watch Treehouse shows anywhere and anytime - with over 1,500 episodes of Treehouse shows including *The Wiggles*, *Dora the Explorer*, *Ranger Rob* and *Blaze and the Monster Machines*.
- On December 8, 2017, the Company, for the eighth consecutive year, was recognized as one of Greater Toronto's Top Employers for 2018 by Mediacorp Canada Inc. and The Globe and Mail. This designation recognizes Greater Toronto employers with exceptional human resources programs and forward-thinking workplace policies.
- On December 18, 2017, the Company's Nelvana subsidiary announced a partnership with Chouette Publishing to bring Nelvana's original hit preschool adventure series *Ranger Rob* to the publishing world. Launching in April 2018, Chouette Publishing's territory will encompass Canada and the U.S. with both English and French rights.
- On December 19, 2017, the Company's Global Television subsidiary announced that its Global GO app is now available for Apple TV. As the first connected app for Global, the easy-to-navigate interface of Global GO allows viewers to live stream the network's full slate of original and acquired series, view full length episodes, clips and exclusives, as well as catch up on their favourite shows.
- On December 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 January 15, 2018, the Company announced the voting results from its Annual Meeting of Shareholders (the "Meeting") held in Calgary, Alberta on January 10, 2018. All matters put forth at the Meeting, including the appointment of auditors and authorization of the directors to fix the remuneration of such auditors, the fixing of the number of directors at 12 and the election of directors, were approved by a large majority of the voting shareholders as detailed in the Company's filing on www.sedar.com.
- On January 29, 2018, the Company's Nelvana subsidiary announced an in-restaurant promotion with BURGER KING® to feature four mini-figures from its hit, animated urban fantasy series, *Mysticons*, in KING JR™ MEALS. The eight-week promotion ran in more than 7,400 restaurants across the U.S. and Canada.
- On January 31, 2018, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.
- On February 1, 2018, the Company's Nelvana subsidiary and Sumitomo Corporation, a global trading company with a large investment and presence within the Japanese animation industry, announced a partnership to develop and co-produce innovative anime properties with international appeal. To support the project, Sumitomo acquired the services of Tokyo's prominent content creation company, Zeroichi, Ltd.
- On February 9, 2018, the Company, for the eighth year in a row, was named one of Canada's Top Employers for Young People in 2018 by Mediacorp Canada Inc. and The Globe and Mail. The competition recognizes employers offering the nation's best workplaces and programs for young people starting their careers.
- On February 14, 2018, the Company's Nelvana subsidiary announced a new partnership with global toy company ORB™ for the worldwide licensing rights to the popular Soft'n Slo Squishies™ brand. In addition to global licensing representation, Nelvana will produce original digital media content for the brand, beginning with a multi-episode, original, short-form YouTube series incorporating the Soft'n Slo Squishies™ toys. Additional licensing plans for the brand include apparel, sleepwear, accessories, novelty and gift, home décor, and publishing.
- On February 21, 2018, the Company's Nelvana subsidiary announced the hybrid live-action/computer generated animated hybrid *ReBoot: The Guardian Code* which premiered as a Netflix original series worldwide excluding Canada on March 30, 2018; and will premiere exclusively on YTV in Canada in June 2018. The series is distributed by Nelvana and produced by Mainframe Studios, a division of WOW! Unlimited Media. Nelvana will also represent the series for global licensing and merchandising.
- On February 28, 2018, the Company ceased operations of the Sundance Channel.
- On February 28, 2018, the Company paid a monthly dividend of $0.094583 and $0.095 per share to holders of its Class A and Class B Shares, respectively.

SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER

- On March 12, 2018, the Company announced that its programming, original productions and content received a total of 16 Canadian Screen Awards (CSA), including Best News Special for Global Edmonton's "Fort McMurray: The Road Back"; Best Direction in a Drama Series for *Mary Kills People* on Global; and Best Animated Program or Series for *Cloudy with a Chance of Meatballs* on YTV.
- On March 20, 2018, an application filed by Bell Media Inc. ("Bell") on Corus' behalf for Bell to acquire the shares and effective control of Historia and Séries+ was gazetted by the CRTC. The deadline for interventions is April 19, 2018. For more details see https://crtc.gc.ca/eng/archive/2018/2018-95.pdf.
- On March 22, 2018, the Company's Corus Studios subsidiary announced the start of production on *STITCHED* (12×60), an original fashion competition series. Hosted by fashion model Kim Cloutier alongside style expert Joe Zee and Elle Canada's editor-in-chief Vanessa Craft, the series is produced by FORTÉ Entertainment in association with Corus Studios for Slice.™ *STITCHED* is slated to premiere in fall 2018 and will be available for sale at MIPTV this April.
- On March 22, 2018, the Company's Corus Studios subsidiary introduced three new docu-series for international sale at MIPTV this April, including *Big Rig Warriors* (10×30), *Rust Valley Restorers* (8×60), and *World Without* (9×60), which broaden the studio's lifestyle catalogue into cultural and factual content. Previously announced new original lifestyle series *Island of Bryan* (13×60), starring Bryan Baeumler and Sarah Baeumler, starts production this month and will also be available for sale at MIPTV this April.
- On March 29, 2018, 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, 2018, the Company's Corus Studios subsidiary expended its global footprint, announcing new international sales for its original lifestyle content ahead of MIPTV. Sales highlights include: *Backyard Builds* sold to Quebecor Media's CASA in Canada and an undisclosed buyer for the Pan-Asian region; *Worst to First* sold to Digicast's Dove in Italy, NBCUniversal International Networks for Bravo New Zealand and an undisclosed buyer for the Pan-Asian region; *Masters of Flip* sold to NBCUniversal International Networks who picked up Season 3 for Bravo New Zealand; *Cheer Squad* sold to Bell Media's VRAK in Canada; and *Home to Win* sold to Israel's Talit Communications for Season 1 and 2 and Quebecor Media's CASA in Canada for Season 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2018 is prepared at March 31, 2018. 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, 2017 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 INFORMATION

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

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of the words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information. Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation: factors and assumptions regarding the general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating and capital costs and tariffs, taxes and fees, our ability to source desirable content and our capital and operating results being consistent with our expectations. Actual results may differ materially from those expressed or implied in such information. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2017 and this document and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

For a discussion on the Company's results of operations for fiscal 2017, we refer you to the Company's Annual Report for the year ended August 31, 2017, filed on SEDAR on December 11, 2017.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the second quarter of fiscal 2018 of $369.5 million were up slightly compared to $368.2 million in the prior year. On a consolidated basis, merchandising, distribution and other revenues increased 25%, subscriber revenues were up 1%, while advertising revenues were down 2%. Revenues increased in Radio by 3% and were flat in Television in the second quarter compared to the prior year.

For the six months ended February 28, 2018, consolidated revenues of $826.9 million were down 1% from $836.2 million in the prior year. On a consolidated basis, merchandising, distribution and other revenues increased by 14%, subscriber revenues were flat, while advertising revenues decreased 3%. Revenues increased in Radio by 1%, and decreased by 1% in Television in the current year compared to the prior year. Further analysis of revenues is provided in the discussion of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the second quarter of fiscal 2018 of $256.7 million decreased 3% from $265.5 million in the prior year. On a consolidated basis, direct cost of sales, employee costs and other general and administrative expenses decreased by 1%, 8% and 4%, respectively. The decrease in direct cost of sales resulted from decreases in both amortization of program rights and of film investments, offset by higher other cost of sales. The decrease in employee costs was primarily due to a reduction in share-based compensation expense.

For the six months ended February 28, 2018, direct cost of sales, general and administrative expenses of $536.2 million decreased 1% from $541.5 million in the prior year. On a consolidated basis, direct cost of sales increased 1%, employee costs decreased 4%, and other general and administrative expenses decreased 1%. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the second quarter of fiscal 2018 was $112.8 million, an increase of 10% from $102.7 million last year. Segment profit margin for the second quarter of fiscal 2018 was 31%, up from 28% in the prior year.

For the six months ended February 28, 2018, consolidated segment profit was $290.6 million, down 1% from $294.7 million last year. Segment profit margin of 35% for the six months ended February 28, 2018 was consistent with 35% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and six months ended February 28, 2018 was $20.8 million and $41.6 million, respectively a decrease from $23.1 million and $45.6 million in the same comparable periods in the prior year. The decrease in the quarter and first half of fiscal 2018 arises primarily from lower capital expenditures associated with property, plant and equipment in the current year.

INTEREST EXPENSE

Interest expense for the three and six months ended February 28, 2018 was $31.8 million and $63.8 million, respectively down from $39.0 million and $78.7 million in the same comparable periods in the prior year. The decrease in the quarter and year-to-date results from lower interest on bank debt of $2.9 million and $9.1 million, respectively due to a lower interest rate margin, resulting from reduced leverage, and to lower bank debt in the current year. Imputed interest was also lower by $1.5 million and $2.9 million, respectively, than the prior year as a result of the reduction of long-term liabilities associated with trade marks, and Canadian Radio-television and Telecommunications Commission ("CRTC") benefit obligations.

The effective interest rate on bank loans for the three and six months ended February 28, 2018 was 4.5% and 4.1%, respectively compared to 4.7% in both comparable periods in the prior year. The decrease in the effective rate for the second quarter and year-to-date results from a lower interest rate margin, resulting from reduced leverage.

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the three and six months ended February 28, 2018, the Company incurred $2.5 million and $4.1 million, respectively of business acquisition, integration and restructuring costs, compared to $0.9 million and $14.1 million in the same comparable periods in the prior year. The current fiscal year costs were related to restructuring costs associated with employee exits as well as costs associated with the shutdown of the Sundance Channel. The prior year costs were attributable 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 charges are excluded from the determination of segment profit.

OTHER EXPENSE (INCOME), NET

Other income for three month period ended February 28, 2018 was $3.5 million, compared to $3.9 million in the prior year. The decrease in the quarter reflects higher foreign exchange gains of $0.9 million, offset by equity loss from investees. In the quarter, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of USD denominated long-term liabilities. This resulted in a $2.5 million unrealized foreign exchange gain in the quarter, which offset foreign exchange losses recorded in the quarter related to the period end revaluation of USD denominated liabilities. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instrument*s.

Other expense for the six months ended February 28, 2018 was $4.1 million compared to $2.9 million in the prior year. The prior year included the recovery of certain disputed regulatory fees and the benefit of miscellaneous interest and other income.

INCOME TAX EXPENSE

The effective income tax rate for the three and six months ended February 28, 2018 was 25.3% and 26.2%, respectively, lower than the Company's 26.5% statutory income tax rate due to adjustments related to the conclusion of various tax audits. The effective income tax rate for the three and six months ended February 28, 2017 was 26.7% and 26.6%, respectively, consistent with the Company's statutory income tax rate.

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

Net income attributable to shareholders for the second quarter of fiscal 2018 was $40.0 million ($0.19 per share basic), as compared to $24.9 million ($0.12 per share) in the prior year. Net income attributable to shareholders for the current fiscal quarter includes business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $41.9 million ($0.20 per share basic) in the quarter. Net income attributable to shareholders for the prior year quarter includes business acquisition, integration and restructuring costs of $0.9 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $25.6 million ($0.13 per share basic) in the prior year quarter.

Net income attributable to shareholders for the six months ended February 28, 2018 was $117.7 million ($0.57 per share), as compared to $96.0 million ($0.48 per share basic) in the prior year. Net income attributable to shareholders for fiscal 2018 year-to-date includes business acquisition, integration and restructuring costs of $4.1 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $120.8 million ($0.58 per share). Net income attributable to shareholders for the six months ended February 28, 2017 includes business acquisition, integration and restructuring costs of $14.1 million ($0.05 per share basic). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $106.4 million ($0.53 per share) for the prior fiscal year-to-date.

The weighted average number of basic shares outstanding for the three and six months ended February 28, 2018 was 207,356,000 and 206,941,000, respectively, compared to 199,849,000 and 198,572,000, 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.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive income for the three months ended February 28, 2018 was $16.0 million, compared to $6.1 million in the prior year. For the three months ended February 28, 2018, comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $14.1 million and an actuarial gain on post-employment benefit plans of $1.9 million. The prior year comprehensive income includes an unrealized gain associated with remeasurement of fair value of cash flow hedges of $2.3 million, an actuarial gain on post-employment benefit plans of $4.0 million, and an unrealized loss from foreign currency translation adjustments of $0.2 million.

Other comprehensive income for the six months ended February 28, 2018 was $13.3 million, compared to $26.6 million in the prior year. For the six months ended February 28, 2018, comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $13.7 million, an actuarial loss on post-employment benefit plans of $0.9 million, and an unrealized gain from foreign currency translation adjustments of $0.4 million. The prior year comprehensive income includes an unrealized gain associated with remeasuring the fair value of cash flow hedges of $13.3 million, an actuarial gain on post-employment benefit plans of $13.1 million, and an unrealized gain from foreign currency translation adjustments of $0.2 million.

TELEVISION

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

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,		**February 28,**	
(thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Revenues				
Advertising	**190,157**	195,422	**462,407**	478,631
Subscriber fees	**127,008**	125,553	**253,263**	252,017
Merchandising, distribution and other	**19,057**	14,921	**36,016**	30,812
Total revenues	**336,222**	335,896	**751,686**	761,460
Expenses	**232,576**	234,497	**479,438**	475,640
Segment profit [1]	**103,646**	101,399	**272,248**	285,820
Segment profit margin[1]	**31%**	30%	**36%**	38%

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

Revenues were flat in the second quarter of fiscal 2018 as a result of a 3% decrease in advertising revenues, offset by a 1% increase in subscriber revenues and a 28% increase in merchandising, distribution and other revenues. The decline in advertising revenues was largely driven by soft television advertising market conditions and the negative impact of the 2018 Winter Olympics. Subscriber revenues were relatively consistent with the prior year. The increase in merchandising, distribution and other revenues is primarily attributable to Nelvana, reflecting higher merchandising and distribution revenues, offset by lower service work.

For the six months ended February 28, 2018, total revenues decreased 1% from the prior year as a result of a 3% decrease in advertising revenues, partially offset by a 17% increase in merchandising, distribution and other revenues. Television advertising revenues were soft in the first half of the year as a result of low demand and the negative impact of the 2018 Winter Olympics. The increase in merchandising, distribution and other revenues reflects increased deliveries and higher merchandising revenues at Nelvana, as well as increased revenues at Kids Can Press and Toon Boom.

Total expenses in the second quarter of fiscal 2018 decreased by 1%. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) decreased 1% from the prior year. Amortization of program rights decreased in the quarter, as anticipated, as a result of delaying programming start dates on Global to post-coverage of the 2018 Winter Olympics. General and administrative expenses decreased 1% from the prior year, primarily reflecting focused cost control.

For the six months ended February 28, 2018, total expenses increased by 1% as a result of a 1% increase in direct cost of sales and a 1% increase in general and administrative expenses. The increase in direct cost of sales reflects higher amortization of program rights due to timing of program start dates and incremental investment in in-season stacking and streaming rights. This was partially offset by lower film amortization expense at Nelvana. General and administrative expenses increased 1% for the year-to-date, primarily reflecting incremental investment in Advanced Advertising initiatives and higher costs for Global's morning shows, which were previously covered by CRTC benefit spending obligations that ceased as of August 31, 2017.

Segment profit[1] increased 2% in the second quarter of fiscal 2018. Segment profit margin[1] for the quarter and year-to-date was 31% and 36%, respectively compared to the prior year at 30% and 38%, respectively for the same comparable periods.

For the spring 2018 season-to-date, Global maintained its ranker positions from last year with 9 of the Top 20 shows. New series *911*, *Will and Grace*, and *SWAT* all ranked in the Top 20 shows nationally for Adults 25-54, along with returning shows *Bull, NCIS,* and *MacGyver* performing in the Top 20[2].

Corus owns 12 of the Top 20 Canadian Entertainment Specialty Channels for Adults 25-54. Fourteen of Corus' specialty programs are in the Top 20 for Adults 25-54, up from 12 in the Top 20 last Spring. The Top 5 kids networks for children 2 - 11 this Spring were Corus networks[2].

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

(2) Based on Numeris TV Meter, Total Canada, Conventional Spring 2018 season-to-date (Jan 1 - Feb 28, 2018) based on 3+ airings excluding NFL/NHL Playoffs and Olympics, Canadian Commercial Specialty networks Spring season-to-date (Jan 1 - Feb 26, 2018), exc. Sports stations and programs, Adults ages 25-54 and Kids networks Spring 2018 season-to-date (Jan 1 - Feb 26, 2018), Canadian English Specialty stations only, 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		Six months ended	
	February 28,		February 28,	
(thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Revenues	**33,243**	32,291	**75,167**	74,708
Expenses	**26,360**	25,950	**54,763**	55,081
Segment profit[1]	**6,883**	6,341	**20,404**	19,627
Segment profit margin[1]	**21%**	20%	**27%**	26%

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

Revenues were up 3% in the second quarter of fiscal 2018 and 1% year-to-date with gains in both local and national sales. Overall, the Ontario markets experienced a strong quarter, with Toronto rebounding in national sales and Ottawa continuing its double-digit growth. In the West, although Calgary remained challenged in the face of competitive pressures and softer ratings, Edmonton and Vancouver continued their recovery with strong local sales performance.

Direct cost of sales, general and administrative expenses increased 2% in the second quarter of fiscal 2018 and decreased 1% year-to-date. The quarterly increase in general and administrative costs is mainly attributable to higher variable compensation costs, and certain one time items while the year-to-date decrease reflects an overall continued focus on cost containment.

Radio's segment profit increased 9% in the second quarter of fiscal 2018 and 4% year-to-date. Segment profit margin for the quarter and year-to-date was 21% and 27%, respectively compared to 20% and 26%, respectively for the same comparable periods in the prior year.

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		Six months ended	
	February 28,		February 28,	
(thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Share-based compensation	**(6,156)**	1,961	**(5,105)**	3,473
Other general and administrative costs	**3,926**	3,096	**7,111**	7,305
	(2,230)	5,057	**2,006**	10,778

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 significant decrease in share-based compensation expense in the second quarter of fiscal 2018 and the year-to-date is due to the decline in share price in the second quarter.

Other general and administrative costs, while higher in the second quarter of fiscal 2018, due to the timing of certain expenses, was lower on a year-to-date basis, compared to the prior year, reflecting continued focus on cost containment.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2017, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the strongest and second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered, as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended February 28, 2018. 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, 2017.

(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
2018							
2nd quarter	**369,465**	**112,759**	**40,042**	**41,880**	**$ 0.19**	**$ 0.19**	**$ 0.20**
1st quarter	457,388	177,887	77,673	78,885	$ 0.38	$ 0.38	$ 0.38
2017							
4th quarter	381,212	107,601	28,919	43,944	$ 0.14	$ 0.14	$ 0.22
3rd quarter	461,628	175,813	66,719	70,141	$ 0.33	$ 0.33	$ 0.35
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

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

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the second quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $1.6 million ($nil per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $13.3 million ($0.05 per share) and investment impairments of $5.3 million ($0.03 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2017 was negatively impacted by business acquisition, integration and restructuring costs of $4.6 million ($0.02 per share).
- 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).

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2017 Annual Report under the "Risks and Uncertainties" section. There have been no material changes in the risks or uncertainties facing the Company since the date of our Annual Report.

FINANCIAL POSITION

Total assets at February 28, 2018 were $6.0 billion compared to $6.1 billion at August 31, 2017. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2017.

Current assets at February 28, 2018 were $525.1 million, down $0.3 million from August 31, 2017.

Cash and cash equivalents decreased by $13.3 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $8.3 million from year end. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast revenue seasonality. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased $2.7 million from year end as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased $1.3 million during the year, primarily as a result of unrealized gains relating to interest rate swaps and forward foreign exchange contracts, offset by net cash proceeds of $24.6 million on interest rate swaps which were terminated on November 28, 2017. In the second quarter, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company USD denominated long-term liabilities. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

Program and film rights decreased $52.6 million from year end, as additions of acquired rights of $208.6 million were offset by amortization of $259.1 million and impairment charges of $2.1 million resulting from the shutdown of the Sundance Channel.

Film investments increased $6.4 million during the year, as film spending (net of tax credit accruals) of $12.3 million was offset by film amortization of $5.9 million.

Intangibles decreased $16.9 million during the year, as a result of amortization of finite life intangibles exceeding additions. Goodwill remained unchanged from August 31, 2017.

Accounts payable and accrued liabilities increased $27.7 million during the year, as a result of higher accruals for program rights, and trade mark liabilities, offset by lower accrued liabilities and accruals for film production. The decrease in accrued liabilities relate primarily to the reduction in short-term compensation accruals, capital asset purchases, the short-term portion of tangible benefits and CRTC fees, offset by other working capital accruals.

Provisions, including the long-term portion, at February 28, 2018 were $19.8 million compared to $27.5 million at August 31, 2017. The decrease of $7.7 million from August 31, 2017 is primarily a result of restructuring related payments exceeding additions.

Long-term debt, including the current portion, as at February 28, 2018 was $2,035.5 million compared to $2,091.6 million as at August 31, 2017. As at February 28, 2018, the $106.4 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next twelve months. During the six months ended February 28, 2018, the Company repaid bank loans of $54.7 million, deferred $4.1 million of financing fees and amortized $2.7 million of deferred financing charges.

Other long-term liabilities decreased $95.1 million from year end, primarily from decreases in long-term program rights payable, trade marks payable, and long-term employee obligations, offset by an increase in intangible liabilities.

Share capital increased $18.7 million, primarily as a result of the issuance of shares from treasury under the Company's dividend reinvestment plan. Contributed surplus increased $0.4 million due to share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $3.1 million in the second quarter of fiscal 2018 and decreased by $13.3 million in the six months ended February 28, 2018. Free cash flow for the second quarter was $82.1 million compared to $96.0 million last year. On a year-to-date basis, free cash flow was $165.3 million compared to $129.9 million last year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash flow from operating activities for the three and six months ended February 28, 2018 was $86.5 million and $172.2 million, respectively compared to $102.0 million and $124.3 million in the comparable periods of the prior year. The decrease in the current quarter of $15.5 million arises principally from higher payments on program rights of $3.4 million and higher payments related to film investments of $15.9 million, offset by lower CRTC benefit payments of $5.6 million. The increase in the year-to-date of $47.8 million arises from net proceeds of $24.6 million from termination of interest rate swaps, lower payments on program rights of $5.0 million, lower CRTC benefit payments of $11.1 million, and lower cash used in working capital of $19.5 million, offset by higher payments related to film investments of $13.9 million.

Cash used in investing activities for the three and six months ended February 28, 2018 was $6.2 million and $8.1 million, respectively compared to $1.6 million and $10.5 million in the comparable periods of the prior year. The current quarter includes additions to property, plant and equipment of $3.4 million and net cash outflows for intangible investments and other assets of $2.8 million. The prior year benefitted from the proceeds of $5.3 million on the sale of a minority interest in the Cooking Channel. The year-to-date includes additions to property, plant and equipment of $5.0 million, offset by proceeds of $0.5 million on the disposal of surplus land, and net cash outflows for intangibles, investments and other assets of $3.7 million. The prior year includes additions to property, plant and equipment of $11.4 million, and net cash outflows for intangibles, investments and other assets of $4.4 million, offset by proceeds of $5.3 million on the sale of a minority interest in the Cooking Channel.

Cash used in financing activities in the three and six months ended February 28, 2018 was $83.4 million and $177.4 million, respectively compared to $61.6 million and $129.4 million in the comparable period of the prior year. The increase in the current quarter and year-to-date of $21.8 million and $48.0 million respectively, is due to the increase in dividends paid during the fiscal 2018 year.

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 leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. As at February 28, 2018, the Company's leverage ratio was 3.4 times net debt to segment profit. The Company is currently focused on deleveraging towards 3.0 times net debt to segment profit. However, the Company expects that this goal will not be reached by the end of fiscal 2018, as previously anticipated.

On November 30, 2017, the Company's credit facilities with a syndicate of banks were amended. The principal amendments were the extension of the maturity dates to November 30, 2021 for the Revolving Facility and Term Facility Tranche 2, to November 30, 2022 for the Term Facility Tranche 1, and the fixing of mandatory repayments on the Term Facility to 1.25% per quarter. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

As at February 28, 2018, the Company had a net cash balance of $80.4 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

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

NET DEBT TO SEGMENT PROFIT

As at February 28, 2018, net debt was $1,955.1 million, down from $1,997.9 million at August 31, 2017. Net debt to segment profit at February 28, 2018 was 3.4 times compared to 3.5 times at August 31, 2017. Further discussion on this is contained in the Key Performance Indicators section.

TOTAL CAPITALIZATION

As at February 28, 2018, total capitalization was $4,583.2 million compared to $4,597.4 million, a decrease of $14.2 million from August 31, 2017. The decrease is attributable to lower net debt resulting from the repayment of debt of $54.7 million, offset by the issuance of $18.6 million of shares from treasury under the Company's dividend reinvestment plan and by a reduction in cash of $13.3 million.

DERIVATIVE FINANCIAL INSTRUMENTS

On November 28, 2017, the Company terminated the swap agreements that fixed the interest rate on an initial $457.0 million and $1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively plus applicable margins to February 28, 2019 and February 26, 2021. As a result, the Company received $24.6 million, net of interest, in cash upon settlement of these swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income and is being amortized as non-cash interest income in the interim consolidated statements of income (note 12).

On November 28, 2017, the Company entered into new interest swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at February 28, 2018 was $19.5 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset.

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's USD denominated long-term liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at February 28, 2018 was $2.5 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4), and within other expense (income), net in the interim consolidated statements of income (note 13). The Company has the following undiscounted contractual obligations related to forward currency contracts in Canadian dollars:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	121,520	24,056	50,468	46,996	—
Contractual USD cash inflows	98,000	19,400	40,700	37,900	—

OUTSTANDING SHARE DATA

As at March 31, 2018, 3,419,392 Class A Voting Shares and 205,196,012 Class B Non-Voting Shares were issued and outstanding.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2017, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

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

FREE CASH FLOW

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

	Three months ended		Six months ended	
		February 28,		**February 28,**
(thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Cash provided by (used in):				
Operating activities	**86,502**	101,999	**172,179**	124,347
Investing activities	**(6,151)**	(1,633)	**(8,093)**	(10,515)
	80,351	100,366	**164,086**	113,832
Add back: cash used for (provided from) business combinations and strategic investments [1]	**1,722**	(4,344)	**1,202**	16,099
Free cash flow	**82,073**	96,022	**165,288**	129,931

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

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		Six months ended	
		February 28,		**February 28,**
(thousands of Canadian dollars, except per share amounts)	**2018**	2017	**2018**	2017
Net income attributable to shareholders	**40,042**	24,881	**117,715**	96,027
Adjustments, net of income tax:				
Business acquisition, integration and restructuring costs	**1,838**	696	**3,050**	10,376
Adjusted net income attributable to shareholders	**41,880**	25,577	**120,765**	106,403
Basic earnings per share	**$0.19**	$0.12	**$0.57**	$0.48
Adjustments, net of income tax:				
Business acquisition, integration and restructuring costs	**$0.01**	$0.01	**$0.01**	$0.05
Adjusted basic earnings per share	**$0.20**	$0.13	**$0.58**	$0.53

NET DEBT AND NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	**As at February 28, 2018**	As at August 31, 2017
Total bank loans, net of unamortized financing fees	**2,035,501**	2,091,580
Cash and cash equivalents	**(80,416)**	(93,701)
Net debt	**1,955,085**	**1,997,879**

NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	**As at February 28, 2018**	As at August 31, 2017
Net debt (numerator)	**1,955,085**	1,997,879
Segment profit (denominator) [1]	**574,060**	578,083
Net debt to segment profit	**3.4**	3.5

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

As at February 28, 2018, net debt was $1,955.1 million, down from $1,997.9 million as at August 31, 2017. Net debt to segment profit as at February 28, 2018 was 3.4 times compared to 3.5 times as at August 31, 2017. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters.

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, 2017 consolidated financial statements and note 3 in the Company's February 28, 2018 interim condensed 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 and six months ended February 28, 2018 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	As at February 28, 2018	As at August 31, 2017
ASSETS		
Current		
Cash and cash equivalents	**80,416**	93,701
Accounts receivable	**416,726**	408,443
Income taxes recoverable	**—**	1,388
Prepaid expenses and other assets	**27,926**	21,870
Total current assets	**525,068**	525,402
Tax credits receivable	**20,848**	18,172
Investments and other assets (note 4)	**65,841**	64,559
Property, plant and equipment	**239,919**	260,068
Program rights (note 5)	**595,765**	648,346
Film investments (note 6)	**47,124**	40,728
Intangibles (note 7)	**2,028,921**	2,045,813
Goodwill	**2,387,652**	2,387,652
Deferred income tax assets	**82,952**	77,104
	5,994,090	6,067,844
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**443,407**	415,661
Current portion of long-term debt (note 9)	**106,375**	172,500
Provisions (note 8)	**11,929**	15,791
Income taxes payable	**18,232**	—
Total current liabilities	**579,943**	603,952
Long-term debt (note 9)	**1,929,126**	1,919,080
Other long-term liabilities	**347,283**	442,349
Provisions (note 8)	**7,856**	11,707
Deferred income tax liabilities	**501,817**	491,235
Total liabilities	**3,366,025**	3,468,323
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**2,310,483**	2,291,814
Contributed surplus	**11,805**	11,449
Retained earnings	**113,045**	114,492
Accumulated other comprehensive income	**37,087**	22,938
Total equity attributable to shareholders	**2,472,420**	2,440,693
Equity attributable to non-controlling interest	**155,645**	158,828
Total shareholders' equity	**2,628,065**	2,599,521
	5,994,090	6,067,844

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 February 28, 2018	Three months ended February 28, 2017	Six months ended February 28, 2018	Six months ended February 28, 2017
Revenues	**369,465**	368,187	**826,853**	836,168
Direct cost of sales, general and administrative expenses (note 11)	**256,706**	265,504	**536,207**	541,499
Depreciation and amortization	**20,832**	23,093	**41,590**	45,553
Interest expense (note 12)	**31,766**	38,957	**63,841**	78,677
Business acquisition, integration and restructuring costs	**2,475**	915	**4,083**	14,080
Other expense (income), net (note 13)	**(3,473)**	(3,937)	**4,081**	2,895
Income before income taxes	**61,159**	43,655	**177,051**	153,464
Income tax expense (note 14)	**15,446**	11,673	**46,331**	40,779
Net income for the period	**45,713**	31,982	**130,720**	112,685
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	**(8)**	(179)	**430**	213
Unrealized change in fair value of cash flow hedges	**14,128**	2,282	**13,719**	13,316
	14,120	2,103	**14,149**	13,529
Items that will not be reclassified to income:				
Actuarial gain (loss) on employee post-employment benefits	**1,871**	3,981	**(868)**	13,065
	15,991	6,084	**13,281**	26,594
Comprehensive income for the period	**61,704**	38,066	**144,001**	139,279
Net income attributable to:				
Shareholders	**40,042**	24,881	**117,715**	96,027
Non-controlling interest	**5,671**	7,101	**13,005**	16,658
	45,713	31,982	**130,720**	112,685
Comprehensive income attributable to:				
Shareholders	**56,033**	30,965	**130,996**	122,621
Non-controlling interest	**5,671**	7,101	**13,005**	16,658
	61,704	38,066	**144,001**	139,279
Earnings per share attributable to shareholders:				
Basic	**$0.19**	$0.12	**$0.57**	$0.48
Diluted	**$0.19**	$0.12	**$0.57**	$0.48

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
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income	—	—	117,715	13,281	130,996	13,005	144,001
Dividends declared	—	—	(118,294)	—	(118,294)	(16,188)	(134,482)
Issuance of shares under dividend reinvestment plan (note 10)	18,584	—	—	—	18,584	—	18,584
Issuance of shares under stock option plan (note 10)	85	—	—	—	85	—	85
Actuarial loss on post-retirement benefit plans	—	—	(868)	868	—	—	—
Share-based compensation expense	—	356	—	—	356	—	356
As at February 28, 2018	**2,310,483**	**11,805**	**113,045**	**37,087**	**2,472,420**	**155,645**	**2,628,065**

As at August 31, 2016	2,168,543	10,444	142,499	(3,569)	2,317,917	158,430	2,476,347
Comprehensive income	—	—	96,027	26,594	122,621	16,658	139,279
Dividends declared	—	—	(114,142)	—	(114,142)	(18,585)	(132,727)
Issuance of shares under dividend reinvestment plan	60,303	—	—	—	60,303	—	60,303
Actuarial gain on post-retirement benefit plans	—	—	13,065	(13,065)	—	—	—
Share-based compensation expense	—	454	—	—	454	—	454
Reallocation of equity interest	—	—	4,500	—	4,500	3,000	7,500
As at February 28, 2017	2,228,846	10,898	141,949	9,960	2,391,653	159,503	2,551,156

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended February 28, 2018	2017	Six months ended February 28, 2018	2017
OPERATING ACTIVITIES				
Net income for the period	**45,713**	31,982	**130,720**	112,685
Adjustments to reconcile net income to cash flow from operations:				
Amortization of program rights (note 5 and 11)	**125,692**	126,686	**259,075**	254,411
Amortization of film investments (note 6 and 11)	**3,329**	4,935	**5,855**	8,962
Depreciation and amortization	**20,832**	23,093	**41,590**	45,553
Deferred income taxes	**267**	6,650	**98**	7,214
Share-based compensation expense	**168**	231	**356**	454
Imputed interest (note 12)	**11,011**	12,560	**22,878**	25,753
Proceeds from termination of interest rate swap (note 9)	**—**	—	**24,644**	—
Payment of program rights	**(122,692)**	(119,263)	**(238,369)**	(243,362)
Net spend on film investments	**(11,533)**	4,322	**(20,281)**	(6,428)
CRTC benefit payment	**(186)**	(5,814)	**(897)**	(11,972)
Other	**(3,154)**	775	**(2,728)**	1,342
Cash flow from operations	**69,447**	86,157	**222,941**	194,612
Net change in non-cash working capital balances related to operations	**17,055**	15,842	**(50,762)**	(70,265)
Cash provided by operating activities	**86,502**	101,999	**172,179**	124,347
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(3,378)**	(5,781)	**(4,959)**	(11,407)
Proceeds from sale of property	**—**	—	**545**	—
Proceeds from disposition of non-controlling interest (note 17)	**—**	5,250	**—**	5,250
Net cash flows for intangibles, investments and other assets	**(2,773)**	(1,102)	**(3,679)**	(4,358)
Cash used in investing activities	**(6,151)**	(1,633)	**(8,093)**	(10,515)
FINANCING ACTIVITIES				
Decrease in bank loans	**(28,165)**	(29,292)	**(54,727)**	(57,472)
Deferred financing costs	**—**	—	**(4,088)**	—
Issuance of shares under stock option plan	**—**	—	**85**	—
Dividends paid	**(50,319)**	(26,824)	**(99,367)**	(52,884)
Dividends paid to non-controlling interest	**(4,179)**	(5,230)	**(16,188)**	(18,585)
Other	**(742)**	(254)	**(3,086)**	(477)
Cash used in financing activities	**(83,405)**	(61,600)	**(177,371)**	(129,418)
Net change in cash and cash equivalents during the period	**(3,054)**	38,766	**(13,285)**	(15,586)
Cash and cash equivalents, beginning of the period	**83,470**	17,011	**93,701**	71,363
Cash and cash equivalents, end of the period	**80,416**	55,777	**80,416**	55,777

Supplemental cash flow disclosures (note 16)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2018

(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; the operation of radio stations; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *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, 2017, 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, 2017, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three and six months ended February 28, 2018 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 4, 2018.

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

There are no changes in accounting policies in the current period.

PENDING ACCOUNTING CHANGES

IFRS 9 – *Financial Instruments*

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.

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

IFRS 15 – *Revenue from Contracts with Customers*

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

IFRS 16 – *Leases*

On January 13, 2016, the IASB published a new standard, IFRS 16 – *Leases*. The new standard will eliminate the distinction between operating and finance leases and will bring most leases 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, 2017	10,558	54,001	64,559
Decrease (increase) in investments	(793)	2,075	1,282
Balance - February 28, 2018	**9,765**	**56,076**	**65,841**

5. PROGRAM RIGHTS

Balance - August 31, 2017	648,346
Net additions	208,620
Impairment charges	(2,126)
Amortization	(259,075)
Balance - February 28, 2018	**595,765**

6. FILM INVESTMENTS

Balance - August 31, 2017	40,728
Net change	12,251
Amortization	(5,855)
Balance - February 28, 2018	**47,124**

7. INTANGIBLES

	Broadcast licenses [1]	Other [2]	Total
Balance - August 31, 2017	984,889	1,060,924	2,045,813
Net additions	—	3,475	3,475
Amortization	—	(20,367)	(20,367)
Balance - February 28, 2018	**984,889**	**1,044,032**	**2,028,921**

[1] Broadcast licenses are located in Canada.

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

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

8. PROVISIONS

The continuity of provisions is as follows:

	Restructuring	Onerous lease obligation	Asset retirement obligation	Other	Total
Balance - August 31, 2017	15,614	2,892	8,407	585	27,498
Additions (reductions)	3,286	(1,329)	—	—	1,957
Interest	—	103	205	—	308
Payments	(9,140)	(838)	—	—	(9,978)
Balance - February 28, 2018	**9,760**	**828**	**8,612**	**585**	**19,785**
Current	7,744	828	2,772	585	11,929
Long-term	2,016	—	5,840	—	7,856
Balance - February 28, 2018	**9,760**	**828**	**8,612**	**585**	**19,785**

9. LONG-TERM DEBT

	February 28, 2018	August 31, 2017
Bank loans	**2,052,587**	2,107,299
Unamortized financing fees	**(17,086)**	(15,719)
	2,035,501	2,091,580
Less: current portion of bank loans	**(106,375)**	(172,500)
	1,929,126	1,919,080

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 28, 2018, the weighted average interest rate on the outstanding bank loans was 4.5% (2017 – 4.7%). Interest on the bank loans averaged 4.5% and 4.1% for the second quarter and year-to-date, respectively (2017 – 4.7% and 4.7%).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit agreement dated April 1, 2016 (the "Facility"). Under the Facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at February 28, 2018.

CREDIT FACILITIES

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 replaced Corus' previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

Effective November 30, 2017, the Company's credit agreement with a syndicate of banks was amended. The principal amendments effected were the extension of the maturity for the Revolving Facility and Term Facility Tranche 2 to November 30, 2021, for the Term Facility Tranche 1 to November 30, 2022, and fixing the mandatory repayment on the Term Facility to 1.25% per quarter effective November 30, 2017.

Term Facility

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

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

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

Revolving Facility

The $300.0 million Revolving Facility matures on November 30, 2021. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at February 28, 2018, all of the Revolving Facility was available and could be drawn.

SWAP AGREEMENTS

On November 28, 2017, the Company terminated the Canadian interest rate swap agreements that fixed the interest rate on $457.0 million and $1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021. As a result, the Company received a cash payment, net of accrued interest of $24.6 million in settlement of these interest rate swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income and is being amortized over the life of the original swap agreements as non-cash interest income in the interim consolidated statements of income and comprehensive income (note 12).

On November 28, 2017, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $1,101.0 million and $600.0 million of its outstanding term loan facilities at 1.947% and 2.004%, respectively, plus applicable margins to August 31, 2021 and August 31, 2022. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The estimated fair value of these agreements as at November 30, 2017 is $19.5 million, which has been recorded in the consolidated statement of financial position as a long-term asset. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

FORWARD CONTRACTS

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's

USD denominated long-term liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at February 28, 2018 was $2.5 million, which has been recorded in the interim consolidated statements of financial position as a long-term asset (note 4) and within other expense (income), net in the interim consolidated statements of income and comprehensive income (note 13). The Company has the following undiscounted contractual obligations related to forward foreign exchange contracts in Canadian dollars:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	121,520	24,056	50,468	46,996	—
Contractual USD cash inflows	98,000	19,400	40,700	37,900	—

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, 2017	3,421,792	26,498	202,835,501	2,265,316	2,291,814
Issuance of shares under stock option plan	—	—	7,975	85	85
Issuance of shares under dividend reinvestment plan	—	—	1,797,630	18,584	18,584
Balance - February 28, 2018	**3,421,792**	**26,498**	**204,641,106**	**2,283,985**	**2,310,483**

EARNINGS PER SHARE

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

	Three months ended **February 28,**		Six months ended **February 28,**	
	2018	2017	**2018**	2017
Net income attributable to shareholders (numerator)	**40,042**	24,881	**117,715**	96,027
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	**207,356**	199,849	**206,941**	198,572
Effect of dilutive securities	**—**	306	**71**	171
Weighted average number of shares outstanding - diluted	**207,356**	200,155	**207,012**	198,743

The calculation of diluted earnings per share for the three and six months ended February 28, 2018 excluded 6,419,275 and 5,324,800, respectively (2017 – 2,492,573 and 2,636,573, respectively) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

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

SHARE-BASED COMPENSATION

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

	February 28, 2018	August 31, 2017
Outstanding employee stock options	**6,419,275**	5,256,850
Exercisable employee stock options	**3,234,000**	2,282,125
Outstanding PSUs	**1,382,276**	1,236,831
Outstanding DSUs	**1,176,420**	1,141,741
Outstanding RSUs	**521,167**	406,700

Share-based compensation expense (recovery) recorded for the second quarter and the year-to-date of fiscal 2018 in respect of these plans was $(6,156) and $(5,105) (2017 – $1,961 and $3,473). As at February 28, 2018, the carrying value of the liability for PSU, DSU and RSU units at the end of the quarter was $9,355 (August 31, 2017 – $18,243).

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	February 28,		**February 28,**	
	2018	2017	**2018**	2017
Direct cost of sales				
Amortization of program rights	**125,692**	126,686	**259,075**	254,411
Amortization of film investments	**3,329**	4,935	**5,855**	8,962
Other cost of sales	**5,822**	4,167	**11,845**	10,752
General and administrative expenses				
Employee costs	**73,023**	79,074	**151,434**	158,333
Other general and administrative	**48,840**	50,642	**107,998**	109,041
	256,706	265,504	**536,207**	541,499

12. INTEREST EXPENSE

	Three months ended		Six months ended	
	February 28,		**February 28,**	
	2018	2017	**2018**	2017
Interest on long-term debt	**22,960**	25,879	**42,797**	51,879
Imputed interest on long-term liabilities	**11,011**	12,560	**22,878**	25,753
Amortization of defered gain on settled interest rate swap	**(2,502)**	—	**(2,502)**	—
Other	**297**	518	**668**	1,045
	31,766	38,957	**63,841**	78,677

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

13. OTHER EXPENSE (INCOME), NET

	Three months ended		Six months ended	
	February 28,		**February 28,**	
	2018	2017	**2018**	2017
Foreign exchange loss (gain)	**(4,031)**	(3,160)	**2,923**	3,216
Equity loss of associates	**486**	735	**793**	1,243
Other expense (income)	**72**	(1,512)	**365**	(1,564)
	(3,473)	(3,937)	**4,081**	2,895

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory rates to income tax expense for fiscal 2018 and 2017 is as follows:

	Six months ended February 28, 2018		Six months ended February 28, 2017	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**46,945**	**26.5%**	40,673	26.5%
(Income) loss subject to tax at less than statutory rates	**(158)**	**(0.1%)**	139	0.1%
Non-taxable portion of capital gains	**(52)**	**(0.0%)**	—	—%
Transaction costs	**(213)**	**(0.1%)**	(183)	(0.1%)
Increase of various tax reserves	**160**	**0.1%**	42	0.0%
Miscellaneous differences	**(351)**	**(0.2%)**	108	0.1%
	46,331	**26.2%**	40,779	26.6%

15. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 44 specialty television networks, 15 conventional television stations, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and technology and media services. Revenues are generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and technology and media service sales.

RADIO

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

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

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

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

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

REVENUES AND SEGMENT PROFIT

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

Three months ended February 28, 2017	Television	Radio	Corporate	Consolidated
Revenues	335,896	32,291	—	368,187
Direct cost of sales, general and administrative expenses	234,497	25,950	5,057	265,504
Segment profit (loss)	101,399	6,341	(5,057)	102,683
Depreciation and amortization				23,093
Interest expense				38,957
Business acquisition, integration and restructuring costs				915
Other income, net				(3,937)
Income before income taxes				43,655

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

Six months ended February 28, 2017	Television	Radio	Corporate	Consolidated
Revenues	761,460	74,708	—	836,168
Direct cost of sales, general and administrative expenses	475,640	55,081	10,778	541,499
Segment profit (loss)	285,820	19,627	(10,778)	294,669
Depreciation and amortization				45,553
Interest expense				78,677
Business acquisition, integration and restructuring costs				14,080
Other expense, net				2,895
Income before income taxes				153,464

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

Revenues are derived from the following areas:

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2018	2017	**2018**	2017
Advertising	**221,663**	225,947	**533,874**	549,351
Subscriber fees	**127,008**	125,553	**253,263**	252,017
Merchandising, distribution and other	**20,794**	16,687	**39,716**	34,800
	369,465	368,187	**826,853**	836,168

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2018	2017	**2018**	2017
Interest paid	**23,309**	26,904	**43,700**	53,469
Interest received	**160**	713	**318**	751
Income taxes paid	**17,233**	651	**24,979**	20,920

17. BUSINESS COMBINATIONS AND DIVESTITURES

Disposition of 29% interest in the Cooking Channel

On December 12, 2016, the Company sold a 29% 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. A further $2,176 was received in fiscal 2018. 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.