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First Quarter 2019 Report to Shareholders

For the Three Months Ended November 30, 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 **November 30,**	
	2018	2017
Revenues		
Television	**426,190**	415,464
Radio	**41,281**	41,924
	467,471	457,388
Segment profit [(1)]		
Television	**184,553**	168,602
Radio	**13,012**	13,521
Corporate	**(5,927)**	(4,236)
	191,638	177,887
Net income attributable to shareholders [(2)]	**60,415**	77,673
Adjusted net income attributable to shareholders [(1)(2)]	**70,111**	78,885
Basic earnings per share [(2)]	**$0.28**	$0.38
Adjusted basic earnings per share [(1)(2)]	**$0.33**	$0.38
Diluted earnings per share [(2)]	**$0.28**	$0.38
Free cash flow [(1)]	**42,406**	83,215

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

[(2)] Net income attributable to shareholders as well as basic and diluted earnings per share for the quarter ended November 30, 2018 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income attributable to shareholders by $25.7 million ($0.12 per share basic). Further discussion of this can be found in the Impact of New Accounting Policies and Changes in Estimates section of this report.

HIGHLIGHTS IN THE QUARTER

- On September 9, 2018, the Company's brands and people were recognized at the 2018 Canadian Country Music Association Awards including Edmonton's CISN Country 103.9 receiving top honour for Radio Station of the Year – Large Market.
- On September 12, 2018, the Company's Nelvana subsidiary and Sony Pictures Animation announced the renewal of the hit animated comedy *Hotel Transylvania: The Series* for a second season. Disney Channel in the U.S. and their global territories, and TELETOON Canada, are set to broadcast the new episodes once production is completed and the series is available for broadcast.
- On September 13, 2018, the Company's Historia channel was recognized at the 33rd Gémeaux Awards Technical and Documentary Gala with Best Original Music: Documentary (Luc St-Pierre) for *Espions parmi nous* (*Amalga*).
- On September 16, 2018, the Company's Séries+ channel was recognized with three awards at the 33rd Gala des Gémeaux for its original production *Plan B* (KOTV), including: Best Dramatic Series, Best Female Lead: Drama Series (Magalie Lépine-Blondeau) and Best Direction: Drama Series (Jean-François Asselin).
- On September 19, 2018, the Company's Nelvana subsidiary announced three new greenlit productions including digital-first, live-action series *Miss Persona*, and two new animated series, *P.U.R.S.T Agent Binky* and *The Remarkable Mr. King*, based on the popular Corus-owned Kids Can Press titles. Nelvana, which holds global distribution and merchandising rights to all three properties, introduced the series to the international market at MIPCOM in October 2018.
- On September 19, 2018, Bill S-228, an Act to amend the *Food and Drugs Act* (prohibiting food and beverage marketing directed at children), passed Third Reading in the House of Commons, and now awaits Royal Assent. Upon receipt of Royal Assent, the bill will become law but any new advertising restrictions will not come into force until February 2021, at the earliest. Health Canada is drafting the regulations that will accompany the law. The Company contributed to an industry response as part of a public consultation that was launched by Health Canada in connection with this matter. Health Canada held an information session on November 5, 2018 and will conduct further consultations in early 2019.
- On October 1, 2018, the Company's Nelvana subsidiary announced a Canadian licensing and broadcasting partnership with renowned toy and entertainment company Mattel for its iconic Thomas & Friends property. Nelvana becomes the exclusive Canadian licensing agent for Thomas & Friends across multiple merchandise categories, excluding toys. Treehouse becomes the new hub for the long-running *Thomas & Friends* series, which will be available across the network's traditional and non-linear platforms.
- On October 1, 2018, the Federal Court of Appeal sided with Bell Canada in a long-running dispute over the Wholesale Code - a controversial part of the Canadian Radio-television and Telecommunication Commission's ("CRTC") Let's Talk TV policy framework, which imposed new rules on the commercial relationships of broadcasters and distributors. In a split decision, the majority of the Court held that the CRTC overstepped its jurisdiction by choosing to enact the Code through a mandatory distribution ("9(1)(h)") order. Notably, the Court did not raise concerns regarding the substance of the Code itself and left open the possibility that the Code could have been enacted by other means.
- On October 2, 2018, the Company's Corus Studios subsidiary announced the introduction of three new series to the international market at MIPCOM in October 2018, including *Fire Masters*, *Big Food Bucket List* and *Salvage Kings* (working title). The Company continues to grow its slate of distinct original series developed for its portfolio of Lifestyle channels, which features an array of genres including travel and escape, fashion, food, automotive, cultural and factual content.
- On October 4, 2018, the Company's Corus Studios subsidiary announced multiple new international content sales for a number of its original lifestyle series to buyers in the U.S., India, Italy, South Africa and Canada. Included in the list of series sold were *Backyard Builds*, *Home to Win*, *Masters of Flip*, *Worst to First* and *The Baker Sisters*.
- On October 24, 2018, the Company announced the retirement of Barb Williams, Executive Vice President and Chief Operating Officer, effective October 31, 2018. Widely recognized as a long-time leader in Canada's broadcast industry, Barb Williams was celebrated on November 8, 2018, with a Hall of Fame Award for lifetime achievement from the Ontario Association of Broadcasters (OAB).
- On October 25, 2018, the Company's W Network and Crown Media Family Network's Hallmark Channel announced an innovative multi-year, multi-platform channel partnership that brings the United States' iconic, family-friendly entertainment to Canada for the first time. As the exclusive TV partner for Crown Media Networks in Canada, W Network was granted the Canadian licensing rights to all movies and series produced by *Crown for Hallmark* and *Hallmark Movies and Mysteries.*

- On October 25, 2018, the Company was recognized as one of Greater Toronto's Top Employers for 2018 by MediaCorp Canada and The Globe and Mail for the ninth consecutive year. This designation recognizes Greater Toronto employers with exceptional human resources programs and forward-thinking workplace policies.
- On November 21, 2018, the Canadian government released its Fall Economic Statement which announced three new measures to support journalism in Canada: (1) access to charitable tax incentives for eligible news organizations; (2) a refundable tax credit to support news organizations; and (3) a non-refundable tax credit for subscriptions to Canadian digital news media. In total, the government pledged an "estimated" $595 million over the next five years for these three measures.
- On November 22, 2018, the Company was recognized as one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital. This national program recognizes best-in-class Canadian organizations and CEOs for fostering corporate cultures that enhance performance and help sustain a competitive edge.
- On November 22, 2018, the CRTC laid out its priorities for the next two fiscal years in its CRTC Forecast 2019-20. Under broadcasting, the CRTC intends to consider applications for a new multiethnic TV channel; launch a review of the Indigenous broadcasting policy framework; consider the applications for renewing the licenses for CBC/Radio Canada; and implement new initiatives set out in the May 2018 "Harnessing Change: The Future of Programming Distribution in Canada" report.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On December 4, 2018, the Company's W Network announced that it achieved the top spot among Canadian specialty channels across key demographics, supported by "Hallmark Channel's Countdown to Christmas", and was the #1 most watched channel in Canada on weekends, surpassing all conventional and sports networks.[1]
- On December 28, 2018, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.

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[1] Numeris PPM Data, Total Canada, M-Su 2a-2a, Oct29-Nov25/18, confirmed to Nov 18 vs. Oct30-Nov26/17, AMA(000), A25-54, A18-49, A18-34, W25-54, W18-49 and 2+ unless otherwise noted, CDN COM ENG Spec + Dig \\ Weekend=Sa-Su 2a-2a four-weekend avg \\ program ranker based on CDN COM ENG Spec + Dig, M-Su 2a-2a, excludes sports

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three months ended November 30, 2018 is prepared at January 10, 2019. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2018 Annual Report and the interim condensed consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited interim condensed consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information. Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation: factors and assumptions regarding the general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating and capital costs and tariffs, taxes and fees, our ability to source desirable content and our capital and operating results being consistent with our expectations. Actual results may differ materially from those expressed or implied in such information. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2018 and this document and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

For a discussion on the Company's results of operations for fiscal 2018, we refer you to the Company's Annual Report for the year ended August 31, 2018, filed on SEDAR on December 10, 2018.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the first quarter of fiscal 2019 of $467.5 million increased 2% compared to $457.4 million in the prior year. On a consolidated basis, both advertising and merchandising, distribution and other revenues increased 3%, while subscriber revenues were consistent with the prior year. Revenues increased 3% in Television and decreased in Radio by 2% in the first quarter 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 first quarter of fiscal 2019 of $275.8 million decreased 1% from $279.5 million in the prior year. On a consolidated basis, direct cost of sales for the quarter were down 2% from the prior year, other general and administrative expenses decreased 3%, while employee costs remained consistent with the prior year. The decrease in direct cost of sales arises from a reduction in programming cost amortization, offset by increases in film amortization and other cost of sales. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the first quarter of fiscal 2019 was $191.6 million, an increase of 8% from $177.9 million in the prior year. Segment profit margin for the first quarter of fiscal 2019 was 41%, up from 39% in the prior year.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended November 30, 2018 was $54.3 million compared to $20.8 million in the prior year. The $33.5 million increase from the prior year principally arises from the change in estimate of certain brand assets from indefinite life intangible assets to finite life intangible assets, which commenced amortization on September 1, 2018, and therefore amortization increased by approximately $34.9 million from the prior year, offset by a decrease in depreciation on property, plant and equipment which reflects reduced capital spending in fiscal 2018. Further discussion of this can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of this report.

INTEREST EXPENSE

Interest expense for the three months ended November 30, 2018 was $31.3 million, a decrease from $32.1 million in the prior year. The decrease in the quarter results from lower imputed interest of $1.3 million on long-term liabilities associated with program rights, trade marks and deferred financing fees and $2.3 million of a deferred gain amortization from other comprehensive income on swaps settled on November 28, 2017, offset by higher interest on bank debt of $2.8 million. Interest on bank debt is higher as a result of the termination of interest rate swaps and the initiation of new interest rate swaps, at higher fixed rates, on November 28, 2017, partially offset by lower debt levels.

The effective interest rate on bank loans for the three months ended November 30, 2018 was 4.6% compared to 3.8% in the prior year. The increase in the effective rate for the first quarter of fiscal 2019 was attributable to higher fixed interest rates on interest rate swaps as noted above.

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the three months ended November 30, 2018, the Company incurred $13.2 million of business acquisition, integration and restructuring costs, compared to $1.6 million in the prior year. The current fiscal year costs are related to restructuring costs associated with employee exits of $4.8 million, as well as onerous lease provision costs of $5.4 million for space vacated in the Vancouver radio offices and additional asset retirement obligations of $3.0 million for the former Shaw Media headquarters in Toronto. These charges are excluded from the determination of segment profit.

OTHER EXPENSE, NET

Other expense for three month period ended November 30, 2018 was $1.2 million, compared to $7.6 million in the prior year. In the current quarter, other expense includes a net foreign exchange loss of $1.7 million and an equity loss from associates of $0.3 million, offset by income of $0.7 million from insurance proceeds and interest income on short-term investments. In the second quarter of fiscal 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and cash flows related to a portion of USD denominated long-term liabilities. This resulted in unrealized foreign exchange gains of $2.1 million in the quarter, which offset foreign exchange losses recorded related to period end revaluations of 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*. The prior year period includes a foreign exchange loss of $7.0 million and equity losses from associates of $0.3 million.

INCOME TAX EXPENSE

The effective income tax rate for the three months ended November 30, 2018 was 27.1%, consistent with the Company's 26.6% statutory income tax rate. The effective income tax rate for the three months ended November 30, 2017 was 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 first quarter of fiscal 2019 was $60.4 million ($0.28 per share basic), as compared to $77.7 million ($0.38 per share basic) in the prior year. Net income attributable to shareholders for the first quarter of fiscal 2019 includes business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $70.1 million ($0.33 per share basic) in the quarter. Net income attributable to shareholders for the first quarter of the prior year includes business acquisition, integration and restructuring costs of $1.6 million ($nil per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $78.9 million ($0.38 per share basic) in the prior year quarter.

The weighted average number of basic shares outstanding for the three months ended November 30, 2018 was 211,997,000 compared to 206,531,000 in the prior year. The number of shares outstanding increased from the issuance of shares from treasury in the prior year under the Company's dividend reinvestment plan.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive income for the three months ended November 30, 2018 was $2.2 million, compared to a loss of $2.7 million in the prior year. For the three months ended November 30, 2018, other comprehensive income includes an actuarial gain on post-employment benefit plans of $2.3 million, an unrealized gain of foreign currency translation adjustments of $0.3 million, offset by an unrealized loss from the fair value of cash flow hedges of $0.4 million. In the prior year, other comprehensive income includes an actuarial loss on post-employment benefit plans of $2.7 million, an unrealized loss on the fair value of cash flow hedges of $0.4 million, offset by an unrealized gain from foreign currency translation adjustments of $0.4 million.

TELEVISION

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

FINANCIAL HIGHLIGHTS

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2018**	2017
Revenues		
Advertising	**282,044**	272,250
Subscriber fees	**126,684**	126,255
Merchandising, distribution and other	**17,462**	16,959
Total revenues	**426,190**	415,464
Expenses	**241,637**	246,862
Segment profit [1]	**184,553**	168,602
Segment profit margin[1]	**43%**	41%

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

Revenues in the first quarter of fiscal 2019 increased 3% from the prior year as a result of a 4% increase in advertising revenues and a 3% increase in merchandising, distribution and other revenues, while subscriber revenues remained consistent with the prior year. The increase in advertising revenues was largely driven by improved audience performance and advertising demand, particularly on Global. The increase in merchandising, distribution and other revenues reflects higher production and distribution revenues from increased deliveries and higher software and publishing revenues, offset by lower merchandising revenues.

Expenses in the first quarter of fiscal 2019 decreased by 2%. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were down 2% compared to the prior year. Amortization of program rights decreased by 3% and was offset by higher film amortization expense at Nelvana. General and administrative expenses decreased 3% from the prior year, primarily reflecting ongoing focused cost control.

Segment profit[1] increased 9% in the first quarter of fiscal 2019, principally as a result of increases in advertising revenues and decreased expenses. Segment profit margin[1] for the quarter was 43% compared to the prior year at 41%.

Global had a solid Fall season with eight programs in the Top 20 for Adults 25-54 and nine programs in the Top 20 for Women 25-54, with *New Amsterdam* ranking in the Top 10 as the #1 new drama this Fall. Corus owns 13 of the Top 20 Canadian Entertainment Specialty Channels, more than any other broadcaster, and 11 of Corus' specialty programs are in the Top 20 for both Adults 25-54 and Women 25-54. The top 5 kids networks for children 2-11 this fall were Corus networks[2].

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

(2) Based on Numeris TV Meter, Total Canada, English Specialty Station and Program rankers based on, Q1 (Fall) weeks 1 - 13 each year; English Canadian Commercial Specialty Station Rankers excluding sports stations; Kids network ranker based on Kids Specialty stations only; English Canadian Commercial Specialty Stations Program rankers based on 3+ airings, excludes sports; English National Conventional Program Rankers based on Conventional Fall 2018 (September 17 - November 25, 2018) 3+ airings versus Fall 2017 (September 11, - November 26, 2017) based on 4+ airings.

RADIO

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

FINANCIAL HIGHLIGHTS

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2018**	2017
Revenues	**41,281**	41,924
Expenses	**28,269**	28,403
Segment profit[1]	**13,012**	13,521
Segment profit margin[1]	**32%**	32%

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

Revenues decreased 2% in the first quarter of fiscal 2019. The decline in advertising revenues in the quarter was driven by lower demand from the automotive, financial services, and telecom advertiser categories, partially offset by improvements in the entertainment, government and pharmaceutical advertiser categories.

Direct cost of sales, general and administrative expenses were relatively flat in the first quarter of fiscal 2019, reflecting a continued focus on cost containment and synergies with Global News.

Radio's segment profit[1] was down $0.5 million or 4% in the first quarter of fiscal 2019. Segment profit margin[1] for the quarter, however, was consistent with the prior year at 32%.

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

CORPORATE

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

FINANCIAL HIGHLIGHTS

	Three months ended	
	November 30,	
(thousands of Canadian dollars)	**2018**	2017
Share-based compensation	**2,072**	1,051
Other general and administrative costs	**3,855**	3,185
	5,927	4,236

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

The increase in share-based compensation expense in the first quarter of fiscal 2019 is due to the improvement in share price from August 31, 2018. Other general and administrative costs in the first quarter of fiscal 2019 were higher compared to the prior year, principally related to Directors fees for Directors that have elected to receive their remuneration in DSUs, which are revalued at the Company's closing share price at the end of each period, and additional legal and consulting fees related to corporate matters.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2018, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the strongest and second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered, as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended November 30, 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, 2018, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

					Earnings (loss) per share		
	Revenues	Segment profit [1]	Net income (loss) attributable to shareholders [1]	Adjusted net income attributable to shareholders [1]	Basic	Diluted	Adjusted basic
2019							
1st quarter	**467,471**	**191,638**	**60,415**	**70,111**	**$ 0.28**	**$ 0.28**	**$ 0.33**
2018							
4th quarter	379,084	114,561	33,675	39,534	$ 0.16	$ 0.16	$ 0.19
3rd quarter	441,410	170,421	(935,899)	78,112	$ (4.49)	$ (4.49)	$ 0.37
2nd quarter	369,465	112,759	40,042	41,880	$ 0.19	$ 0.19	$ 0.20
1st quarter	457,388	177,887	77,673	78,885	$ 0.38	$ 0.38	$ 0.38
2017							
4th quarter	381,212	107,601	28,919	43,944	$ 0.14	$ 0.14	$ 0.22
3rd quarter	461,628	175,813	66,719	70,141	$ 0.33	$ 0.33	$ 0.35
2nd quarter	368,187	102,683	24,881	25,577	$ 0.12	$ 0.12	$ 0.13

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

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the first quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $25.7 million ($0.12 per share) and business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $7.7 million ($0.03 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2018 was negatively impacted by non-cash radio broadcast license and television goodwill impairment charges of $1,013.7 million ($4.84 per share) and business acquisition, integration and restructuring costs of $5.3 million ($0.02 per share).

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

FINANCIAL POSITION

Total assets at November 30, 2018 were $5.0 billion compared to $4.9 billion at August 31, 2018. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2018.

Current assets at November 30, 2018 were $609.9 million, up $102.3 million from August 31, 2018.

Cash and cash equivalents decreased by $24.1 million from August 31, 2018. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $123.3 million from August 31, 2018. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased $4.3 million from August 31, 2018 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased $16.8 million from August 31, 2018, primarily as a result of certain post employment benefit plans being in a net asset position, unrealized gains relating to interest rate swaps and forward foreign exchange contracts, and fair value increases to investments in venture funds. The increases to investments in venture funds relate to the initial implementation of IFRS 9 - *Financial Instruments*, which was implemented on September 1, 2018. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Property, plant and equipment decreased $7.1 million from August 31, 2018 as a result of depreciation expense exceeding additions.

Program rights increased $22.2 million from August 31, 2018, as additions of acquired rights of $151.8 million were offset by amortization of $129.6 million.

Film investments increased $0.5 million from August 31, 2018, as film additions (net of tax credit accruals) of $4.0 million were offset by film amortization of $3.5 million.

Intangibles decreased $37.8 million from August 31, 2018, primarily as a result of a change in estimated useful lives of indefinite life brand assets to finite life effective September 1, 2018, which resulted in amortization of finite life intangibles exceeding additions. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Goodwill remained unchanged from August 31, 2018.

Accounts payable and accrued liabilities increased $46.0 million from August 31, 2018, as a result of higher accrued liabilities and accruals for program rights, dividends payable, trade marks and film production. The increase in accrued liabilities relates primarily to higher accounts payable, unearned revenues, and unremitted sales taxes, offset by reductions in short-term compensation accruals, capital asset purchases and CRTC fees.

Provisions, including the long-term portion, at November 30, 2018 were $25.2 million compared to $19.0 million at August 31, 2018. The increase of $6.2 million from August 31, 2018 is primarily a result of additional provisions of an onerous lease obligation of $5.4 million for space vacated in the Vancouver radio offices and additional asset retirement obligations of $3.0 million for the former Shaw Media headquarter in Toronto, offset by restructuring related payments exceeding additions.

Long-term debt, including the current portion, as at November 30, 2018 was $1,928.1 million compared to $1,983.9 million as at August 31, 2018. As at November 30, 2018, the $95.5 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next twelve months. During the quarter ended November 30, 2018, the Company repaid bank loans of $57.0 million and amortized $1.1 million of deferred financing charges.

Other long-term liabilities increased $30.9 million from August 31, 2018, primarily from increases in long-term program rights payable, trade marks payable, long-term employee obligations, intangible liabilities and unearned revenues, offset by decreases in the long-term portion of tangible benefits, post-employment benefit plans, and finance lease accruals.

Share capital remained unchanged from the August 31, 2018 balances. Contributed surplus increased slightly due to share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $24.1 million in the first quarter of fiscal 2019. Free cash flow for the first quarter decreased to $42.4 million from $83.2 million in the prior year period. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section.

Cash flow provided by operating activities for the three months ended November 30, 2018 was $45.4 million compared to $85.7 million in the prior year. The decrease in the current quarter of $40.3 million arises principally from lower cash flow from operations of $21.9 million and by higher cash used in working capital of $18.4 million. The decrease in cash flow from operations arises principally from inclusion in the prior year of proceeds of $24.6 million from the termination of interest rate swap agreements.

Cash used in investing activities for the three months ended November 30, 2018 was $3.0 million compared to $1.9 million in the prior year, primarily comprised of additions to property, plant and equipment. The prior year includes additions to property, plant and equipment of $1.6 million, offset by proceeds of $0.5 million on disposal of redundant land, and net cash outflows for intangibles, investments and other assets of $0.9 million.

Cash used in financing activities in the three months ended November 30, 2018 was $66.5 million compared to $94.0 million in the prior year period. In the current year, the Company decreased bank debt by $57.0 million, paid dividends to non-controlling shareholders of $7.2 million, and made capital lease payments of $2.3 million. In the prior year, the Company decreased bank debt by $26.6 million, paid financing costs of $4.1 million to amend the credit facilities, paid dividends of $61.1 million, and made capital lease payments of $2.3 million.

LIQUIDITY

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. As at November 30, 2018, the Company's leverage ratio was 3.15 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company is currently focused on deleveraging towards 3.0 times net debt to segment profit.

As at November 30, 2018, the Company had a net cash balance of $70.7 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

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

TOTAL CAPITALIZATION

As at November 30, 2018, total capitalization was $3,596.7 million compared to $3,565.9 million at August 31, 2018, an increase of $30.8 million. The increase is primarily attributable to the decrease in the accumulated deficit and a decrease in cash of $24.1 million, offset by lower net debt resulting from the decrease in debt of $55.9 million.

DERIVATIVE FINANCIAL INSTRUMENTS

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

On November 28, 2017, the Company entered into interest rate swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at November 30, 2018 was $25.0 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4).

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million U.S. dollars, to fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at November 30, 2018 was $5.9 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4), and within other expense (income), net in the interim consolidated statements of income (note 13). The Company has the following undiscounted contractual obligations related to the remaining forward currency contracts:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	103,664	24,800	51,584	27,280	—
Contractual USD cash inflows	83,600	20,000	41,600	22,000	—

On November 29, 2018, the Company initiated total return swap agreements on 1,858,500 units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based payment awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at November 30, 2018 is de minimis, and therefore has not been recorded in the interim consolidated statement of financial position as a long-term asset or liability.

OUTSTANDING SHARE DATA

As at December 31, 2018, 3,415,192 Class A Voting Shares and 208,581,866 Class B Non-Voting Shares were issued and outstanding.

KEY PERFORMANCE INDICATORS

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2018, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

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

FREE CASH FLOW

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

	Three months ended **November 30,**	
(thousands of Canadian dollars)	**2018**	2017
Cash provided by (used in):		
Operating activities	**45,371**	85,677
Investing activities	**(2,965)**	(1,942)
	42,406	83,735
Deduct: cash provided by business combinations and strategic investments [1]	**—**	(520)
Free cash flow	**42,406**	83,215

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

	Three months ended **November 30,**	
(thousands of Canadian dollars, except per share amounts)	**2018**	2017
Net income attributable to shareholders	**60,415**	77,673
Adjustments, net of income tax:		
Business acquisition, integration and restructuring costs	**9,696**	1,212
Adjusted net income attributable to shareholders	**70,111**	78,885
Basic earnings per share	**$0.28**	$0.38
Adjustments, net of income tax:		
Business acquisition, integration and restructuring costs	**0.05**	—
Adjusted basic earnings per share	**$0.33**	$0.38

NET DEBT AND NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	**As at November 30, 2018**	As at August 31, 2018
Total bank loans, net of unamortized financing fees	**1,928,080**	1,983,933
Cash and cash equivalents	**(70,667)**	(94,801)
Net debt	**1,857,413**	1,889,132

(thousands of Canadian dollars)	**As at November 30, 2018**	As at August 31, 2018
Net debt (numerator)	**1,857,413**	1,889,132
Segment profit (denominator) [1]	**589,379**	575,628
Net debt to segment profit	**3.15**	3.28

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

RISKS AND UNCERTAINTIES

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

IMPACT OF NEW ACCOUNTING POLICIES AND CHANGES IN ESTIMATES

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's August 31, 2018 consolidated financial statements and note 3 in the Company's November 30, 2018 interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

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

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

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

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

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

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

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

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS standards. The standard requires revenue to be recognized in a manner that depicts the transfer

of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

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

IFRS 9 - Financial instruments ("IFRS 9")

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

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

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

Upon adoption, investments in venture funds held by the Company have been classified at fair value through other comprehensive income pursuant to the irrevocable election available under IFRS 9. These investments are recorded at fair value and changes in the fair value of these investments are recognized permanently in other comprehensive income. Upon adoption, an adjustment was made to bring the investments in venture funds to fair value which resulted in an increase to the carrying amount of these investments. The adjustment to increase

investments in venture funds on September 1, 2018, was $10.8 million ($9.4 million, net of income tax) with a corresponding adjustment to accumulated other comprehensive income.

Financial assets

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

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

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

Financial liabilities

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

Expected credit loss impairment model

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

Financial instruments

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

Investments in venture funds

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

Derivative Instruments and Hedge Accounting

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

The Company recognizes all derivative financial instruments in the interim condensed consolidated financial statements at fair value and they are classified based on contractual maturity. Derivative instruments are classified as either hedges of highly probable forecasted transactions (cash flow hedges) or non-hedge

derivatives. Derivatives designated as a cash flow hedge that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated. Derivative assets and derivative liabilities are shown separately in the balance sheet unless there is a legal right to offset and intent to settle on a net basis.

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

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

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is now recorded on a straight-line basis over the estimated useful life. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income.

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 months ended November 30, 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 November 30, 2018**	As at August 31, 2018
ASSETS		
Current		
Cash and cash equivalents	**70,667**	94,801
Accounts receivable	**512,087**	388,751
Income taxes recoverable	**—**	3,305
Prepaid expenses and other assets	**27,103**	20,723
Total current assets	**609,857**	507,580
Tax credits receivable	**22,349**	18,047
Investments and other assets (note 4)	**98,986**	82,213
Property, plant and equipment	**224,069**	231,192
Program rights (note 5)	**560,564**	538,357
Film investments (note 6)	**43,871**	43,424
Intangibles (notes 3 and 7)	**1,974,286**	2,012,086
Goodwill	**1,387,652**	1,387,652
Deferred income tax assets	**60,755**	62,403
	4,982,389	4,882,954
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**451,747**	405,762
Current portion of long-term debt (note 9)	**95,466**	106,375
Provisions (note 8)	**13,218**	11,175
Income taxes payable	**18,454**	—
Total current liabilities	**578,885**	523,312
Long-term debt (note 9)	**1,832,614**	1,877,558
Other long-term liabilities	**326,141**	295,206
Provisions (note 8)	**11,949**	7,801
Deferred income tax liabilities	**493,494**	502,274
Total liabilities	**3,243,083**	3,206,151
EQUITY		
Share capital (note 10)	**2,330,477**	2,330,477
Contributed surplus	**12,164**	12,119
Accumulated deficit	**(804,657)**	(856,668)
Accumulated other comprehensive income	**45,768**	36,460
Total equity attributable to shareholders	**1,583,752**	1,522,388
Equity attributable to non-controlling interest	**155,554**	154,415
Total equity	**1,739,306**	1,676,803
	4,982,389	4,882,954

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended	
		November 30,
(unaudited - in thousands of Canadian dollars, except per share amounts)	**2018**	2017
Revenues	**467,471**	457,388
Direct cost of sales, general and administrative expenses (note 11)	**275,833**	279,501
Depreciation and amortization (note 3)	**54,328**	20,758
Interest expense (note 12)	**31,339**	32,075
Business acquisition, integration and restructuring costs (note 8)	**13,181**	1,608
Other expense, net (note 13)	**1,237**	7,554
Income before income taxes	**91,553**	115,892
Income tax expense (note 14)	**24,777**	30,885
Net income for the period	**66,776**	85,007
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation adjustment	**290**	438
Unrealized change in fair value of cash flow hedges	**(378)**	(409)
	(88)	29
Items that will not be reclassified to income:		
Actuarial gain (loss) on employee post-employment benefits	**2,326**	(2,739)
Other comprehensive income (loss), net of income taxes	**2,238**	(2,710)
Comprehensive income for the period	**69,014**	82,297
Net income attributable to:		
Shareholders	**60,415**	77,673
Non-controlling interest	**6,361**	7,334
	66,776	85,007
Comprehensive income attributable to:		
Shareholders	**62,653**	74,963
Non-controlling interest	**6,361**	7,334
	69,014	82,297
Earnings per share attributable to shareholders:		
Basic	**$0.28**	$0.38
Diluted	**$0.28**	$0.38

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment (note 3)	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment (note 3)	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income	—	—	60,415	2,238	62,653	6,361	69,014
Dividends declared	—	—	(12,715)	—	(12,715)	(5,222)	(17,937)
Actuarial gain on post-retirement benefit plans	—	—	2,326	(2,326)	—	—	—
Share-based compensation expense	—	45	—	—	45	—	45
As at November 30, 2018	**2,330,477**	**12,164**	**(804,657)**	**45,768**	**1,583,752**	**155,554**	**1,739,306**

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income (loss)	—	—	77,673	(2,710)	74,963	7,334	82,297
Dividends declared	—	—	(59,015)	—	(59,015)	(12,009)	(71,024)
Issuance of shares under dividend reinvestment plan	9,809	—	—	—	9,809	—	9,809
Issuance of shares under stock option plan	85	—	—	—	85	—	85
Actuarial loss on post-retirement benefit plans	—	—	(2,739)	2,739	—	—	—
Share-based compensation expense	—	188	—	—	188	—	188
As at November 30, 2017	2,301,708	11,637	130,411	22,967	2,466,723	154,153	2,620,876

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	November 30, 2018	2017
OPERATING ACTIVITIES		
Net income for the period	**66,776**	85,007
Adjustments to reconcile net income to cash flow from operations:		
Amortization of program rights (notes 5 and 11)	**129,570**	133,383
Amortization of film investments (notes 6 and 11)	**3,529**	2,526
Depreciation and amortization (note 3)	**54,328**	20,758
Deferred income tax recovery	**(9,347)**	(169)
Share-based compensation expense	**45**	188
Imputed interest (note 12)	**10,594**	11,867
Proceeds from termination of interest rate swap (note 9)	**—**	24,644
Payment of program rights	**(110,214)**	(115,677)
Net spend on film investments	**(10,663)**	(8,748)
CRTC benefit payments	**(861)**	(1,987)
Other	**(3,470)**	426
Cash flow from operations	**130,287**	152,218
Net change in non-cash working capital balances related to operations	**(84,916)**	(66,541)
Cash provided by operating activities	**45,371**	85,677
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(2,569)**	(1,581)
Proceeds from sale of property	**3**	545
Net cash flows for intangibles, investments and other assets	**(399)**	(906)
Cash used in investing activities	**(2,965)**	(1,942)
FINANCING ACTIVITIES		
Decrease in bank loans	**(57,009)**	(26,562)
Deferred financing costs	**—**	(4,088)
Issuance of shares under stock option plan	**—**	85
Dividends paid	**—**	(49,048)
Dividends paid to non-controlling interest	**(7,222)**	(12,009)
Other	**(2,309)**	(2,344)
Cash used in financing activities	**(66,540)**	(93,966)
Net change in cash and cash equivalents during the period	**(24,134)**	(10,231)
Cash and cash equivalents, beginning of the period	**94,801**	93,701
Cash and cash equivalents, end of the period	**70,667**	83,470

Supplemental cash flow disclosures (note 16)

See accompanying notes

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS") – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2018, except as described in note 3. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended August 31, 2018, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three months ended November 30, 2018 were authorized for issue in accordance with a resolution of the Company's Board of Directors on January 10, 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 investments in venture funds, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is now recorded on a straight-line basis over the estimated useful life. For the first quarter of fiscal 2019, this has resulted in an additional $34.9 million in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

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

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

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

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

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

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

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

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

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regards to the timing of recognition of revenue related to software licenses. IFRS 15 requires revenue related to certain licenses of an entity's intellectual property to be recognized at a point in time if the license relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2.7 million ($2.0 million, net of income tax) with a corresponding adjustment to

opening accumulated deficit related to software license revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during the first quarter of fiscal 2019.

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

IFRS 9 - Financial instruments ("IFRS 9")

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

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

Financial liabilities are recognized initially at fair value, and in the case of financial liabilities, not subsequently measured at fair value, net of directly attributable transaction costs. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and, since the Company does not have any financial liabilities

designated at fair value through profit or loss, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. Accounts payable and accrued liabilities, interest payable, and long-term debt are classified as financial liabilities to be subsequently measured at amortized cost.

Expected credit loss impairment model

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

Financial instruments

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

Investments in venture funds

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

Derivative Instruments and Hedge Accounting

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

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

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

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

PENDING ACCOUNTING CHANGES

IFRS 16 – *Leases*

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

IFRIC 23 – *Uncertainty over income tax treatments*

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

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

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance - August 31, 2018	9,000	73,213	82,213
IFRS 9 transitional adjustment (note 3)	—	10,849	10,849
Adjusted balance as at September 1, 2018	9,000	84,062	93,062
Increase (decrease) in investments	(268)	6,192	5,924
Balance - November 30, 2018	**8,732**	**90,254**	**98,986**

5. PROGRAM RIGHTS

Balance - August 31, 2018	538,357
Net additions	151,777
Amortization	(129,570)
Balance - November 30, 2018	**560,564**

6. FILM INVESTMENTS

Balance - August 31, 2018	43,424
Net additions	3,976
Amortization	(3,529)
Balance - November 30, 2018	**43,871**

7. INTANGIBLES

	Broadcast licenses [1]	Brands and trademarks [2]	Other [3]	Total
Balance - August 31, 2018	971,197	1,025,589	15,300	2,012,086
Additions	—	6,437	1,443	7,880
Amortization (note 3)	—	(42,879)	(2,801)	(45,680)
Balance - November 30, 2018	**971,197**	**989,147**	**13,942**	**1,974,286**

[1] Broadcast licenses are located in Canada.

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

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

8. PROVISIONS

The continuity of provisions is as follows:

	Restructuring	Onerous lease obligation	Asset retirement obligations	Other	Total
Balance - August 31, 2018	11,660	—	6,731	585	18,976
Additions	4,752	5,429	3,000	16	13,197
Interest	—	83	97	—	180
Payments	(6,650)	(237)	(299)	—	(7,186)
Balance - November 30, 2018	**9,762**	**5,275**	**9,529**	**601**	**25,167**
Current	8,346	648	3,623	601	13,218
Long-term	1,416	4,627	5,906	—	11,949
Balance - November 30, 2018	**9,762**	**5,275**	**9,529**	**601**	**25,167**

In the first quarter of fiscal 2019, the Company recorded restructuring costs associated with employee exits of $4.8 million, as well as onerous lease provision costs of $5.4 million for space vacated in the Vancouver radio offices and additional asset retirement obligations of $3.0 million for the former Shaw Media headquarters in Toronto.

9. LONG-TERM DEBT

	November 30, 2018	August 31, 2018
Bank loans	**1,941,683**	1,998,684
Unamortized financing fees	**(13,603)**	(14,751)
	1,928,080	1,983,933
Less: current portion of bank loans	**(95,466)**	(106,375)
	1,832,614	1,877,558

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at November 30, 2018, the weighted average interest rate on the outstanding bank loans was 4.6% (2018 – 4.4%). Interest on the bank loans averaged 4.6% for the three months ended November 30, 2018 (2018 – 3.8%).

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

30, 2018.

CREDIT FACILITIES

In connection with the closing of the acquisition of Shaw Media on April 1, 2016, Corus established syndicated senior secured credit facilities in the aggregate amount of $2.6 billion consisting of $2.3 billion in term loans (the "Term Facility"), all of which was fully drawn at closing, and a $300.0 million revolving facility (the "Revolving Facility"), which was not drawn on as part of closing.

Effective November 30, 2017, the Company's credit agreement with a syndicate of banks was amended. The principal amendments effected were the extension of the maturity for the Revolving Facility and 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 initial amount of $700.3 million and having a maturity of November 30, 2022, and the second tranche being in the initial amount of $1,400.6 million and having a maturity of November 30, 2021.

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

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

Revolving Facility

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

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at November 30, 2018, all of the Revolving Facility was available and could be drawn.

INTEREST RATE SWAP AGREEMENTS

On November 28, 2017, the Company terminated the Canadian interest rate swap agreements that fixed the interest rate on $457.0 million and $1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021. As a result, the Company received a cash payment, net of accrued interest, of $24.6 million in settlement of these interest rate swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income 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, 2018 is $25.0 million (August 31, 2018 – $23.2 million), which has been recorded in the interim consolidated statement of financial position as a long-term asset (note 4). The effectiveness of the hedging relationship is reviewed on a quarterly basis.

TOTAL RETURN SWAPS

On November 29, 2018, the Company initiated total return swap agreements on 1,858,500 units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based payment awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at November 30, 2018 is de minimis, and therefore has not been recorded in the interim consolidated statement of financial position as a long-term asset or liability.

FORWARD CONTRACTS

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash 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 November 30, 2018 was $5.9 million (August 31 – $3.8 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:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	103,664	24,800	51,584	27,280	—
Contractual USD cash inflows	83,600	20,000	41,600	22,000	—

10. SHARE CAPITAL

AUTHORIZED

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

	Class A Voting shares		Class B Non-Voting shares		Total
	#	$	#	$	$
Balance - August 31, 2018	3,419,392	26,479	208,577,666	2,303,998	2,330,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,200)	(33)	4,200	33	—
Balance - November 30, 2018	**3,415,192**	**26,446**	**208,581,866**	**2,304,031**	**2,330,477**

EARNINGS PER SHARE

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

	Three months ended	
	November 30,	
	2018	2017
Net income attributable to shareholders (numerator)	**60,415**	77,673
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**211,997**	206,531
Effect of dilutive securities	**—**	273
Weighted average number of shares outstanding - diluted	**211,997**	206,804

The calculation of diluted earnings per share for the three months ended November 30, 2018 excluded 6,013 (2018 – 3,878) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

STOCK OPTION PLAN

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

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

Granted in the first quarter of fiscal 2019 and vesting in fiscals 2020 through 2023	
Fair value	$0.91
Risk-free interest rate	2.4%
Expected dividend yield	4.9%
Expected share price volatility	31.7%
Expected time until exercise (years)	6

SHARE-BASED COMPENSATION

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

	November 30, 2018	August 31, 2018
Outstanding employee stock options	**6,695,700**	6,057,375
Exercisable employee stock options	**3,221,650**	3,021,550
Outstanding PSUs	**1,877,300**	1,424,404
Outstanding DSUs	**1,564,414**	1,206,809
Outstanding RSUs	**826,174**	517,392

Share-based compensation expense recorded for the first quarter in respect of these plans was $2,072 (2018 – $1,051). As at November 30, 2018, the carrying value of the liability for PSU, DSU and RSU units was $6,778 (August 31, 2018 – $4,912).

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended **November 30,**	
	2018	2017
Direct cost of sales		
Amortization of program rights (note 5)	**129,570**	133,383
Amortization of film investments (note 6)	**3,529**	2,526
Other cost of sales	**6,557**	6,023
General and administrative expenses		
Employee costs	**78,699**	78,411
Other general and administrative	**57,478**	59,158
	275,833	279,501

12. INTEREST EXPENSE

	Three months ended **November 30,**	
	2018	2017
Interest on long-term debt	**22,664**	19,837
Imputed interest on long-term liabilities	**10,594**	11,867
Amortization of deferred gain on settled interest rate swap	**(2,320)**	—
Other	**401**	371
	31,339	32,075

13. OTHER EXPENSE, NET

	Three months ended **November 30,**	
	2018	2017
Foreign exchange loss	**1,673**	6,954
Equity loss of associates	**269**	307
Other expense (income)	**(705)**	293
	1,237	7,554

14. INCOME TAXES

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

	Three months ended			
	November 30,			
	2018		2017	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**24,375**	**26.6%**	30,734	26.5%
Loss (income) subject to tax at less than statutory rates	**13**	**0.0%**	(49)	(0.0%)
Non-taxable portion of capital gains	**—**	**—%**	(52)	(0.0%)
Impact of valuation allowance recorded against future income tax assets in year	**17**	**0.0%**	—	—%
Transaction costs	**(234)**	**(0.3%)**	(125)	(0.1%)
Increase of various tax reserves	**78**	**0.2%**	(95)	(0.1%)
Miscellaneous differences	**528**	**0.6%**	472	0.3%
	24,777	**27.1%**	30,885	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.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
November 30, 2018
(in thousands of Canadian dollars, except per share information)

REVENUES AND SEGMENT PROFIT

Three months ended November 30, 2018	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**426,190**	**41,281**	**—**	**467,471**
Direct cost of sales, general and administrative expenses	**241,637**	**28,269**	**5,927**	**275,833**
Segment profit (loss)	**184,553**	**13,012**	**(5,927)**	**191,638**
Depreciation and amortization				**54,328**
Interest expense				**31,339**
Business acquisition, integration and restructuring costs				**13,181**
Other expense, net				**1,237**
Income before income taxes				**91,553**

Three months ended November 30, 2017	Television	Radio	Corporate	Consolidated
Revenues	415,464	41,924	—	457,388
Direct cost of sales, general and administrative expenses	246,862	28,403	4,236	279,501
Segment profit (loss)	168,602	13,521	(4,236)	177,887
Depreciation and amortization				20,758
Interest expense				32,075
Business acquisition, integration and restructuring costs				1,608
Other expense, net				7,554
Income before income taxes				115,892

Revenues are derived from the following areas:

	Three months ended	
		November 30,
	2018	2017
Advertising	**321,335**	312,211
Subscriber fees	**126,684**	126,255
Merchandising, distribution and other	**19,452**	18,922
	467,471	457,388

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	
		November 30,
	2018	2017
Interest paid	**23,059**	20,391
Interest received	**376**	158
Income taxes paid	**11,154**	7,746