Second Quarter 2021
Report to Shareholders

For the Three and Six Months Ended February 28, 2021
(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			Six months ended		
	February 28, 2021	February 29, 2020	**% Change**	**February 28, 2021**	February 29, 2020	**% Change**
Revenues						
Television	**338,519**	347,843	**(3%)**	**730,621**	777,794	**(6%)**
Radio	**20,355**	28,152	**(28%)**	**48,608**	66,079	**(26%)**
	358,874	375,995	**(5%)**	**779,229**	843,873	**(8%)**
Segment profit [1]						
Television [2]	**119,556**	115,472	**4%**	**299,121**	294,090	**2%**
Radio [2]	**1,409**	4,576	**(69%)**	**8,550**	16,604	**(49%)**
Corporate [2]	**(8,325)**	(4,139)	**101%**	**(16,424)**	(10,670)	**54%**
	112,640	115,909	**(3%)**	**291,247**	300,024	**(3%)**
Segment profit margin [1]						
Television	**35%**	33%		**41%**	38%	
Radio	**7%**	16%		**18%**	25%	
Consolidated	**31%**	31%		**37%**	36%	
Net income attributable to shareholders	**35,300**	18,524	**91%**	**111,964**	96,640	**16%**
Adjusted net income attributable to shareholders [1]	**37,496**	25,900	**45%**	**117,347**	105,880	**11%**
Basic earnings per share	**$0.17**	$0.09		**$0.54**	$0.46	
Adjusted basic earnings per share [1]	**$0.18**	$0.12		**$0.56**	$0.50	
Diluted earnings per share	**$0.17**	$0.09		**$0.54**	$0.46	
Free cash flow [1]	**89,690**	65,073	**38%**	**152,064**	118,121	**29%**

[1] Segment profit (loss), adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by International Financial Reporting Standards ("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 and/or Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

[2] Segment profit included $4.4 million in Q2 (TV: $3.6 million; Radio: $0.7 million; Corporate: $0.1 million) and $8.2 million year-to-date (TV: $6.1 million; Radio: $1.1 million; Corporate: $1.0 million) of estimated Canadian Emergency Wage Subsidy ("CEWS") benefit and relief on regulatory fees of $7.8 million in Q2 (TV: $6.9 million; Radio: $0.9 million) and $8.2 million year-to-date (TV: $7.3 million; Radio: $0.9 million).

HIGHLIGHTS IN THE QUARTER

- On December 4, 2020, the Company was recognized as one of Greater Toronto's Top Employers for 2021 by MediaCorp Canada and The Global and Mail. This designation recognizes Greater Toronto employers with exceptional human resources programs and forward-thinking workplace policies.
- On December 7, 2020, the Company's Global News announced the addition of four new regional news streams to its offering on the GlobalTV App including Okanagan, Lethbridge, Peterborough and Kingston which will join existing B.C., Calgary, Edmonton, Saskatoon, Regina, Winnipeg, Toronto, Montreal, Halifax and National based streams, expanding Global News' roster to 14 free news streams within the app.
- On January 15, 2021, the Company announced the voting results from its Annual Meeting of Shareholders (the "Meeting") held virtually via online webcast on January 14, 2021. All matters put forth at the Meeting including the election of directors, the appointment of auditors and authorization of the directors to fix the remuneration of such auditors, were approved by a large majority of the voting shareholders as detailed in the Company's filing on www.sedar.com.
- On January 18, 2021, the Company announced an agreement with Comscore to provide Corus clients with Comscore Branded Content ™, a trusted measurement tool for planning, transacting and evaluating media, across platforms in Canada including TV, digital, video-on-demand (VOD), and social media. This tool will enable advertisers to better track and demonstrate the value of branded integration advertising investments.
- On January 19, 2021, the Company was recognized as one of Canada's Top Employers for Young People for 2021 by MediaCorp Canada and The Globe and Mail. This designation recognizes Canadian employers with the best workplaces and programs for young people just starting their careers.
- On January 26, 2021, the Company's Nelvana subsidiary received a Technology & Engineering Emmy® Award from the National Academy of Television Arts and Sciences for Nelnet, its web-based animation production and asset management system. Nelnet was recognized under the category of Pioneering Secure Cloud-Based VFX Project Management and Collaboration at Scale.
- On January 26, 2021, the Company was recognized on Forbes Canada's Best Employers 2021 list. Forbes compiles the annual list with research firm Statista, surveying 8,000 Canadians from businesses with at least 500 employees on their willingness to recommend their own employers to friends and family, and to nominate organizations other than their own.
- On January 27, 2021, the Company's Corus Studios, announced it had secured prominent worldwide distribution deals for over 250 hours of content from its expanding catalogue of premium lifestyle, unscripted and factual programming. Newly sold shows include *Great Chocolate Showdown* (Season 1 – 8x60) to The CW Network in the U.S., docu-series *Big Timber* (Season 1 – 10x60) to an international streaming company, and *Island of Bryan* (retitled *Renovation Island* for the market) and *Scott's Vacation House Rules* to Discovery in Latin America.
- On February 8, 2021, the Company's Nelvana subsidiary, along with partners Duncan Studio and Peter Dinklage's Estuary Films, announced plans to produce an original animated feature film, *This Was Our Pact*.
- On February 12, 2021, the Company announced expanded distribution for its premium kids streaming platform Nick+, now available on Bell Fibe TV, Alt TV and Virgin TV in Canada for $5.99 per month. Nick+ offers subscribers access to a vast catalog of Nickelodeon's popular live-action and animated series along with preschooler programming from Nick Jr.
- On February 25, 2021, the Company's social and digital agency, so.da, along with Twitter Canada, announced the launch of *Twitter Shops Fueled by so.da*, a new online shopping experience designed for users to shop for products, discover brands and learn more about products on Twitter. This is the latest in a series of partnerships between Twitter Canada and so.da to deliver customized brand integrations and data-driven content exclusively for the platform.
- On February 26, 2021, the Company's Nelvana subsidiary entered into a distribution deal with FilmRise, a New-York based film and television studio and streaming network. FilmRise will offer approximately 800 hours of Nelvana's children's programming to Subscription Video On Demand (SVOD) and Advertising-based Video On Demand (AVOD) platforms across the United States, United Kingdom, Ireland and Germany.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On March 1, 2021, the Company's Kin Community Canada expanded its roster of premium content creators, adding 14 new creators in categories like Home & DIY and Entrepreneurship. This extension provides new opportunities for advertisers and further establishes Corus as a leader in influencer marketing and media strategy.
- On March 31, 2021, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2021 is prepared as at April 8, 2021. 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 Annual Report for the year ended August 31, 2020 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 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, 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, 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; failure to meet covenants under our senior credit facility; epidemics, pandemics or other public health crises, including the current outbreak of novel coronavirus ("COVID-19") 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, 2020 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 2020, we refer you to the Company's Annual Report for the year ended August 31, 2020, filed on SEDAR on December 14, 2020.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the second quarter of fiscal 2021 of $358.9 million decreased 5% from $376.0 million in the prior year. On a consolidated basis, advertising revenues declined 9%, subscriber revenues were flat, while merchandising, distribution and other revenues were up 12% compared to the prior year. The decrease in advertising revenues was attributable to the continued market-wide contraction of demand resulting from prolonged COVID-19 restrictions. Revenues were down 3% in Television and decreased in Radio by 28%, compared to the prior year.

For the six months ended February 28, 2021, consolidated revenues of $779.2 million decreased 8% from $843.9 million in the prior year. On a consolidated basis, advertising revenues decreased 13%, subscriber revenues were flat, while merchandising, distribution and other revenues increased by 10% from the prior year. Revenues decreased 6% in Television and 26% in Radio compared to the prior year. Further analysis of revenues is provided in the discussion of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the second quarter of fiscal 2021 of $246.2 million decreased 5% from $260.1 million in the prior year. On a consolidated basis, direct cost of sales decreased 1%, and general and administrative expenses decreased 28% from the prior year, while employee costs increased 1%. The decrease in direct cost of sales arises from decreases in amortization of film assets in the quarter and other cost of sales, offset by increases in amortization of program rights. The increase in employee costs was primarily due to higher share-based compensation expense, and short-term compensation accruals, offset by the estimated Canadian Emergency Wage Subsidy ("CEWS") funding of approximately $4.4 million and lower commission costs in the quarter. Other general and administrative expenses were lower as a result of the relief on Part I and Part II Canadian Radio-television and Telecommunications Commission ("CRTC") fees of $7.8 million, and to a lesser extent lower trade mark fees and lower tariff royalties that are positively correlated with revenues. Other general and administrative expenses were also positively impacted by a suspension in the first half of fiscal 2021 of most discretionary costs such as travel and entertainment as well and lower consulting and professional fees, partially offset by increases in advertising and marketing principally for Global and Amazon STACKTV, fees and licenses and to a lesser extent COVID-19 related costs.

For the six months ended February 28, 2021, direct cost of sales, general and administrative expenses of $488.0 million were down 10% from $543.8 million in the prior year. On a consolidated basis, direct cost of sales decreased 9%, employee costs decreased 1% and other general and administrative costs decreased 26% from the prior year. The decrease in direct cost of sales was driven principally by the decrease in amortization of program rights, as well as decreases in other cost of sales and amortization of film investments. The decrease in employee costs was primarily due to estimated CEWS funding of approximately $8.2 million and lower commissions, partially offset by increases in short-term incentive accruals and share-based compensation expense. Other general and administrative expenses decreased principally from relief on Part I and Part II CRTC fees of $8.2 million, lower trade mark fees and lower tariff royalties that are positively correlated with revenues, as well as lower discretionary costs such as advertising, marketing, travel and entertainment, consulting and professional fees, reductions in estimated credit losses, partially offset by incremental COVID-19 costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the second quarter of fiscal 2021 was $112.6 million, which was down 3% from $115.9 million in the prior year. Segment profit margin for the second quarter of fiscal 2021 of 31% was consistent with the prior year.

For the six months ended February 28, 2021, consolidated segment profit was $291.2 million, which was down 3% from $300.0 million in the prior year. Segment profit margin of 37% for the six months ended February 28, 2021 was up from 36% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended February 28, 2021 was $38.3 million, a decrease from $40.3 million in the prior year. The decrease in the quarter was a result of decreases in amortization of capital assets of $1.7 million, brands of $0.2 million and other intangible assets of $0.1 million.

Depreciation and amortization expense for the six months ended February 28, 2021 was $76.3 million, a decrease from $80.3 million in the prior year. Decreases for the year resulted from lower amortization of brands of $2.0 million and property, plant and equipment of $1.9 million.

INTEREST EXPENSE

Interest expense for the three months ended February 28, 2021 was $24.3 million, down from $29.8 million in the prior year. The decrease results primarily from lower interest on bank debt of $3.0 million and lower imputed interest of $2.7 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, offset by $0.2 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled in November 2017. The reduction in interest on bank debt is due to lower bank debt levels.

Interest expense for the six months ended February 28, 2021 was $49.1 million, down from $58.6 million in the prior year. The decrease results from lower interest on bank debt of $5.8 million, lower imputed interest of $4.2 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, offset by $0.5 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled in November 2017. Interest on bank debt is lower due to lower debt levels.

The effective interest rate on bank loans for both the three and six months ended February 28, 2021 was 4.0% compared to 4.1% in both of the comparable periods of the prior year. The decrease in the effective rate for fiscal 2021 is due to a lower market floating rate, largely offset by interest rate swaps.

INTEGRATION, RESTRUCTURING AND OTHER COSTS

For the three and six months ended February 28, 2021, the Company incurred $3.0 million and $7.3 million, respectively, of integration, restructuring and other costs, compared to $10.0 million and $12.6 million in the comparable periods in the prior year. The current fiscal year costs relate to restructuring costs associated with employee exits, as well as certain costs associated with the shut-down of the BBC channel, continued transmitter decommissioning and system integration costs. The prior year costs relate to restructuring costs associated with employee exits, as well as certain costs associated with the shut-down of the FYI channel, continued transmitter decommissioning costs and system integration costs. These charges are excluded from the determination of segment profit.

OTHER EXPENSE (INCOME), NET

Other income for the three month period ended February 28, 2021 was $6.3 million, compared to other expense of $5.4 million in the prior year. The current year period includes a foreign exchange gain of $5.6 million primarily reflecting translation of USD denominated payables (net of unrealized foreign exchange loss of $2.6 million) and other income of $0.7 million consisting of miscellaneous interest income and rent receipts. In the prior year, a foreign exchange loss of $6.5 million was offset by miscellaneous other income of $1.1 million.

Other income for the six months ended February 28, 2021 was $6.9 million compared to other expense of $3.4 million in the prior year. In the current year, other income includes foreign exchange gains of $5.4 million (net of unrealized foreign exchange loss of $4.0 million), income of $1.5 million from rental income, gains relating to net insurance proceeds received, the sale of property and miscellaneous interest income. In the prior year, other expense includes foreign exchange loss of $5.3 million, offset by income of $1.9 million from rental receipts, gain on sale of property and miscellaneous interest income. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

INCOME TAX EXPENSE

The Company's effective income tax rates for the three and six months ended February 28, 2021 and February 29, 2020, were consistent with the Company's statutory income tax rates.

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

Net income attributable to shareholders for the second quarter of fiscal 2021 was $35.3 million ($0.17 per share basic), as compared to $18.5 million ($0.09 per share basic) in the prior year. Net income attributable to shareholders for the second quarter of fiscal 2021 includes integration, restructuring and other costs of $3.0 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $37.5 million ($0.18 per share basic) in the quarter. Net income attributable to shareholders for the second quarter of fiscal 2020 includes integration, restructuring and other costs of $10.0 million ($0.03 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $25.9 million ($0.12 per share basic) in the prior year quarter.

Net income attributable to shareholders for the six months ended February 28, 2021 was $112.0 million ($0.54 per share basic), as compared to $96.6 million ($0.46 per share basic) in the prior year. Net income attributable to shareholders for the first six months of fiscal 2021 includes integration, restructuring and other costs of $7.3 million ($0.02 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $117.3 million ($0.56 per share basic) for the first six months of the current fiscal year. Net income attributable to shareholders for the six months ended February 29, 2020 include integration, restructuring and other costs of $12.6 million ($0.04 per share basic). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $105.9 million ($0.50 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for both the three and six months ended February 28, 2021 was 208,367,000, compared to 210,349,000 and 211,087,000, respectively, for the comparable periods in the prior year. The average number of shares outstanding in the current year decreased as a result of the purchase and cancellation of Class B Non-Voting Participating Shares under the Company's normal course issuer bid ("NCIB"), which commenced on November 12, 2019.

OTHER COMPREHENSIVE LOSS (INCOME), NET OF INCOME TAXES

Other comprehensive income for the three months ended February 28, 2021 was $7.7 million, compared to a loss of $20.3 million in the prior year. For the three months ended February 28, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $6.3 million and an unrealized gain from the change on the fair value of cash flow hedges of $2.5 million, offset by an unrealized loss from the change in fair value of financial assets of $0.8 million and an unrealized loss from foreign currency translation adjustments of $0.4 million. In the prior year, other comprehensive loss includes an actuarial loss on the remeasurement of post-employment benefit plans of $12.5 million, an unrealized loss on the fair value of cash flow hedges of $9.2 million, offset by an unrealized gain on the change in fair value of financial assets of $1.1 million and an unrealized gain from foreign currency translation adjustments of $0.2 million.

Other comprehensive income for the six months ended February 28, 2021 was $12.8 million, compared to a loss of $5.2 million in the prior year. For the six months ended February 28, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $9.7 million, an unrealized gain on the fair value of cash flow hedges of $5.0 million, offset by an unrealized loss on the fair value of financial assets of $1.6 million and an unrealized loss from foreign currency translation adjustments of $0.4 million. The prior year other comprehensive loss includes an actuarial loss on the remeasurement of post-employment benefit plans of $7.7 million and an unrealized loss on the fair value of cash flow hedges of $4.2 million, offset by an unrealized gain on the fair value of financial assets of $6.6 million and an unrealized gain from foreign currency translation adjustments of $0.2 million.

TELEVISION

The Television segment is comprised of 33 specialty television services (34 services prior to December 31, 2020; 35 services prior to December 31, 2019; 37 services prior to September 30, 2019), 15 conventional television stations, digital assets, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, and animation software.

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,	February 29,	**February 28,**	February 29,
(thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Revenues				
Advertising	**185,821**	199,188	**432,079**	485,446
Subscriber fees	**124,211**	123,750	**247,912**	247,419
Merchandising, distribution and other	**28,487**	24,905	**50,630**	44,929
Total revenues	**338,519**	347,843	**730,621**	777,794
Expenses	**218,963**	232,371	**431,500**	483,704
Segment profit [1]	**119,556**	115,472	**299,121**	294,090
Segment profit margin[1]	**35%**	33%	**41%**	38%

[1] As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

Revenues for the second quarter of fiscal 2021 decreased by 3% from the prior year as a result of a decline of 7% in advertising revenues, with subscriber revenues flat, partially offset by an increase of 14% in merchandising, distribution and other revenues. The decline in advertising revenues in the second quarter of fiscal 2021 was not as pronounced as in the previous quarter or the last two quarters of fiscal 2020 (three months ended May 31, 2020 - down 31%; three months ended August 31, 2020 - down 25%; three months ended November 30, 2020 - down 14%). Sequential improvement over three successive quarters was driven by increases in overall television advertising demand in December, offset by a marked contraction in advertising revenues in the latter part of second quarter as the resurgence of COVID-19 led to the re-introduction of restrictions on business and consumer activity. Subscriber revenues remained consistent with the prior year. Growth on STACKTV, Nick+ and other streaming services offset lower subscribers in the traditional system and the shut-down of BBC Canada (December 2020), as well as positive retroactive adjustments that occurred upon renewal of distribution agreements in the prior and current year. The increase in merchandising, distribution and other revenues were primarily driven by strong content licensing sales from Corus Studios and Toon Boom Animation software licensing, partially offset by a decline in Nelvana content licensing and merchandising compared to the prior year.

Revenues for the six months ended February 28, 2021 decreased by 6% as a result of a decline of 11% in advertising revenues, with subscriber revenues flat, partially offset by an increase in merchandising, distribution and other revenues of 13%. As noted above, the decline in advertising revenues was driven primarily by decreased demand when compared to the prior year, while subscriber revenues benefited from growth on STACKTV and Nick+ as well as retroactive adjustments that offset lower traditional subscribers. Increases in merchandising, distribution and other revenues were driven by Corus Studios content licensing and software licensing sales, partially offset by a decline in Nelvana content licensing and merchandising compared to the prior year.

Expenses in the second quarter of fiscal 2021 were down 6% from the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) decreased 1% from the prior year, while general and administrative expenses were down by 13% from the prior year. Amortization of program rights increased by 3% from the prior year, which was offset by decreases in both film amortization of 47% ($2.4 million) and other costs of sales of 25% ($2.1 million). The increase in amortization of program rights was driven predominantly by higher amortization arising from program deliveries delayed from the fall schedule, and higher costs from the renewals of certain U.S. output deals, partially offset by the shut-down of BBC in the current year. Amortization of film investments decreased principally as a result of a fewer number of in-house episodes being delivered in the quarter compared to the prior year quarter. The decrease in other cost of sales was principally a result of decreased costs associated with certain sales initiatives. Employee costs decreased 4% primarily due to the estimated CEWS benefit of $3.6 million, and lower freelancer and commission costs, partially offset by higher short-term compensation accruals. Other general and administrative expenses were 27% lower as a result of relief on Part I and Part II CRTC fees of $6.9 million, lower trade mark fees and tariff royalties levied under the *Copyright Act* that are both positively correlated with movements in revenues, consulting fees, maintenance costs, and the suspension in the first half of fiscal 2021 of most discretionary spending on travel and entertainment, offset by higher advertising for STACKTV and Nick+ services to drive subscriptions.

Total expenses for the six months ended February 28, 2021 were down 11% from the prior year as a result of a decrease of 9% in direct cost of sales and a 13% decrease in general and administrative expenses. The decrease in direct cost of sales is driven by lower amortization of program rights, lower film amortization and lower costs associated with certain sales initiatives. The decrease in general and administrative expenses arose from a 5% decrease in employee costs principally from estimated CEWS benefit of $6.1 million year-to-date and a 26% decrease in other general and administrative expenses as detailed in the preceding paragraph.

Segment profit[1] was up 4% for the second quarter of fiscal 2021 and 2% for the six months ended February 28, 2021. The increase for both the quarter and the year-to-date was a result of decreases in direct cost of sales and general and administrative expenses exceeding decreases in revenues. Segment profit margin[1] for the three and six months ended February 28, 2021 was 35% and 41%, respectively, up from the prior year of 33% and 38% in the comparable periods.

(1) As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

RADIO

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

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,	February 29,	**February 28,**	February 29,
(thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Revenues	**20,355**	28,152	**48,608**	66,079
Expenses	**18,946**	23,576	**40,058**	49,475
Segment profit [1]	**1,409**	4,576	**8,550**	16,604
Segment profit margin[1]	**7%**	16%	**18%**	25%

[1]As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

Revenues decreased 28% and 26% in the three and six months ended February 28, 2021, respectively. The re-introduction of more stringent COVID-19 restrictions in all major markets exacerbated economic challenges and continued to negatively impact advertising revenues. The prolonged suspension of advertising spend by local businesses, businesses in the travel and entertainment categories as well as a reduction of advertising spend by professional services continues to have a pervasive impact on revenues despite some growth in advertising by federal and provincial governments. The Company continues to work closely with its advertisers and agencies to create relevant and innovative marketing and advertising opportunities.

Direct cost of sales and general and administrative expenses for the three and six months ended February 28, 2021 were down 20% and 19%, respectively. The decreases were principally from lower part-time employee costs and the estimated CEWS benefit (Q2 - $0.7 million; YTD - $1.1 million), relief on Part I and Part II CRTC fees (Q2 - $0.9 million; YTD - $0.9 million) and reductions on tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenues, as well as a suspension, for the first half of fiscal 2021 of most discretionary spending on travel, entertainment, advertising and promotions.

Radio's segment profit[1] declined $3.2 million in the second quarter of fiscal 2021 and $8.1 million for the year-to-date. Segment profit margin[1] for the second quarter of 7% and 18% for the six months ended February 28, 2021 were down from 16% and 25%, respectively in the comparable periods of the prior year.

[1] As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2020 Annual Report

CORPORATE

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

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,	February 29,	**February 28,**	February 29,
(thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Share-based compensation	**3,907**	(56)	**8,022**	2,799
Other general and administrative costs	**4,418**	4,195	**8,402**	7,871
	8,325	4,139	**16,424**	10,670

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.

Share-based compensation increased for the three and six months ended February 28, 2021 by $4.0 million and $5.2 million, respectively. These increases are due to the increase in the Company's share price, which is partially offset by the change in the fair value of the total return swaps (refer to note 5 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs increased 5% in the quarter and increased for the six months ended February 28, 2021 by 7%. The increases in both the quarter and year-to-date are related to increased short-term compensation accruals, general maintenance costs, consulting fees, and COVID-19 related costs, offset by the estimated CEWS benefit of $0.1 million for the quarter and $1.0 million year-to-date, decreased legal costs, professional fees, as well as travel and entertainment costs.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2020, 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 highest and second and fourth quarter results tend to be the lowest in a fiscal year.

In fiscal 2021, the impact of COVID-19 and measures to prevent its spread continue to significantly affect advertising revenues which may continue to deviate from historical seasonal patterns. In fiscal 2020, this resulted in the third quarter of fiscal 2020 being lower than both the first and second quarters, which resulted in a downward trend in the second half of that fiscal year. The same pattern is observable in segment profit for fiscal 2020. 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.

Also in fiscal 2020, segment profit and free cash flow were positively impacted, when compared to fiscal 2019, by the adoption of IFRS 16 - *Leases*. The most significant effect of the new standard was the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use lease assets and lease liabilities, including those for most leases that would have previously been accounted for as operating leases. This results in depreciation of right-of-use lease assets, rather than as an expense in segment profit and presentation of lease payments as financing costs, rather than as part of cash used by operations. The implementation of IFRS 16 did not have any impact on lease economics or lease cash flows. The impact on net income attributable to shareholders was not material. Fiscal 2021 quarters are presented on the same basis as the fiscal 2020 quarters.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended February 28, 2021. 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, 2020, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

	Revenues	Segment profit [1][2]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders [1]	Earnings (loss) per share [2] Basic	Diluted	Adjusted basic	Free cash flow [1][2]
2021								
2nd quarter	**358,874**	**112,640**	**35,300**	**37,496**	**$ 0.17**	**$ 0.17**	**$ 0.18**	**89,690**
1st quarter	420,355	178,607	76,664	79,851	$ 0.37	$ 0.37	$ 0.38	62,374
2020								
4th quarter	318,396	94,502	30,278	33,181	$ 0.15	$ 0.15	$ 0.16	87,353
3rd quarter	348,967	111,313	(752,280)	18,996	$ (3.61)	$ (3.61)	$ 0.09	90,773
2nd quarter	375,995	115,909	18,524	25,900	$ 0.09	$ 0.09	$ 0.12	65,073
1st quarter	467,878	184,115	78,116	79,980	$ 0.37	$ 0.37	$ 0.38	53,048
2019								
4th quarter	377,479	109,776	22,947	27,930	$ 0.11	$ 0.11	$ 0.13	93,554
3rd quarter	458,417	170,523	66,378	66,077	$ 0.31	$ 0.31	$ 0.31	90,101

(1) As defined in "Key Performance Indicators" of this report or Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

(2) Effective September 1, 2019, the Company adopted IFRS 16. There has been no restatement of prior periods. Refer to Impact of New Accounting Policies section of the Company's Annual Report fo rthe year ended August 31, 2020, filed on SEDAR on December 14, 2020.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the second quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of $3.0 million ($0.01 per share)
- Net income attributable to shareholders for the first quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of $4.3 million ($0.01 per share).
- Segment profit and free cash flow in the fourth quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately $3.3 million and $3.8 million, respectively; however the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the fourth quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of $4.0 million ($0.01 per share).
- Segment profit and free cash flow in the third quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately $3.3 million and $4.1 million, respectively; however, the impact on net income attributable to shareholders was not material. Net loss attributable to shareholders for the third quarter of fiscal 2020 was negatively impacted by non-cash radio broadcast license and television and radio goodwill impairment charges of $786.8 million ($3.69 per share) and integration, restructuring and other costs of $2.6 million ($0.01 per share).
- Segment profit and free cash flow in the second quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately $3.4 million and $4.2 million, respectively; however, the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the second quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of $10.0 million ($0.03 per share).
- Segment profit and free cash flow in the first quarter of fiscal 2020 were positively impacted by the implementation of IFRS 16 by approximately $3.4 million and $3.9 million, respectively; however, the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the first quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of $2.5 million ($0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $16.7 million ($0.06 per share) and integration, restructuring and other costs of $6.8 million ($0.02 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $16.7 million ($0.06 per share), integration, restructuring and other costs of $2.3 million ($0.01 per share) and a $0.3 million ($nil per share) loss on disposal of the Company's 50.5% interest in TLN, offset by a gain on debt modification of $3.9 million ($0.01 per share).

FINANCIAL POSITION

Total assets at February 28, 2021 were $4.0 billion, which was consistent with total assets at August 31, 2020. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2020.

Current assets at February 28, 2021 were $444.3 million, up $83.7 million from August 31, 2020.

Cash and cash equivalents increased by $13.3 million from August 31, 2020. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $63.0 million from August 31, 2020. The accounts receivable balance is subject to seasonal trends. Typically, the balance of trade receivables 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; however, this year seasonal trends may be significantly impacted by the resurgence of COVID-19 and may not be representative of historical results (see the Seasonal Fluctuations under the *Quarterly Consolidated Financial Information* section of this report for further details). The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased $4.4 million from August 31, 2020 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased $5.4 million from August 31, 2020, primarily as a result of an increase in the net asset position of certain post employment benefits, offset by a decrease in unrealized gains related to forward foreign exchange contracts that are in a net liability position at the end of the period and unrealized losses related to the fair value remeasurement of investment in venture funds.

Property, plant and equipment decreased $14.9 million from August 31, 2020 as a result of depreciation expense exceeding additions.

Program rights decreased $34.3 million from August 31, 2020, as additions of acquired rights of $204.1 million were offset by amortization of $235.9 million and the $2.6 million write-off of certain program rights related to the BBC channel shut-down on December 31, 2020.

Film investments decreased $3.4 million from August 31, 2020, as film additions (net of tax credit accruals) of $3.5 million were offset by film amortization of $6.9 million.

Intangibles decreased $51.8 million from August 31, 2020, primarily as a result of amortization of finite life intangibles, while goodwill remained unchanged from August 31, 2020.

Accounts payable and accrued liabilities increased $58.6 million from August 31, 2020, principally as a result of higher program rights payable, trade accounts payable, unremitted sales taxes, and short-term compensation accruals, offset by decreases to trade marks payable, other accrued liabilities, which include other working capital accruals, CRTC fee accruals, capital asset purchases and unearned revenues.

Provisions, including the long-term portion, at February 28, 2021 of $17.4 million decreased $0.7 million from August 31, 2020 as a result of restructuring related payments exceeding additions.

Bank debt, including the current portion, as at February 28, 2021 was $1,413.7 million compared to $1,506.1 million as at August 31, 2020. As at February 28, 2021, the $116.6 million classified as the current portion of bank debt reflects the mandatory repayments in the following 12 months. During the six months ended February 28, 2021, the Company repaid bank debt of $94.6 million and amortized $2.1 million of deferred financing charges.

Other long-term liabilities decreased $65.0 million from August 31, 2020, primarily from decreases in long-term program rights payable, long-term liabilities related to trade marks, adjustments to the fair value of interest rate swap derivatives, unearned revenues, leases, merchandising and other intangible rights, employee obligations, and software licenses.

Share capital remained unchanged from August 31, 2020. Contributed surplus increased by $0.6 million as a result of share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by $9.3 million in the second quarter of fiscal 2021 and $13.3 million in the six months ended February 28, 2021. Free cash flow for the three and six months ended February 28, 2021 was $89.7 million and $152.1 million, respectively, compared to $65.1 million and $118.1 million, in the same comparable periods in the prior year. Free cash flow for the three and six months ended February 28, 2021, was positively impacted by CEWS receipts of $3.7 million and $28.6 million, respectively, which are reflected in the net change in non-cash working capital balances related to the operations line item within operating activities in the consolidated statements of cash flows. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section.

Cash flow provided by operating activities for the three and six months ended February 28, 2021 was $93.7 million and $157.1 million, respectively, compared to $65.7 million and $123.2 million, in the comparable periods in the prior year. The increase in the current quarter of $28.0 million arises principally from higher cash flow from operations of $42.8 million, which includes lower spend on program rights of $26.7 million and lower spend on film investments of $10.4 million, offset by lower cash provided by working capital of $14.8 million. The increase for the six months ended February 28, 2021 in the cash provided by operating activities of $33.9 million arises from higher cash flow from operations of $59.0 million, which includes lower spend on program rights of $64.7 million and lower spend on film investments of $16.2 million, offset by higher cash used in working capital of $25.1 million.

Cash used in investing activities for the three and six months ended February 28, 2021 was $4.4 million and $5.8 million, respectively, compared to $0.7 million and $6.2 million, in the comparable periods in the prior year. In the current fiscal year, the Company had additions to property, plant, equipment of $4.2 million, and net cash outflows of $1.8 million for intangibles, investments and other assets. The prior year includes additions of property, plant, equipment of $6.3 million.

Cash used in financing activities in the three and six months ended February 28, 2021 was $80.0 million and $138.0 million, respectively, compared to $70.9 million and $141.1 million in the comparable periods in the prior year. In the current year, the Company repaid bank debt of $94.6 million, returned capital of $1.6 million related to the wind up of Cosmopolitan TV, paid dividends of $33.4 million to shareholders and non-controlling interests, made payments related to right-of-use leases of $8.0 million and software licenses of $2.5 million, offset by equity funding by a non-controlling interest of $2.1 million. In the prior year, the Company repaid bank debt of $87.0 million, repurchased shares for $13.0 million, made payments related to right-of-use leases of $8.0 million, paid dividends of $36.0 million, and made payments on software licenses of $2.5 million, offset by equity funding by a non-controlling interest of $5.4 million.

LIQUIDITY

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term bank 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 has changed its stated long-term objectives to a leverage target (net debt to segment profit ratio) below 2.5 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

As at February 28, 2021, the Company had a net cash balance of $59.2 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn. The Company 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 following 12 months.

For further details on the credit facilities most recently amended on May 31, 2019, refer to note 5 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at February 28, 2021, total capitalization was $2,652.8 million compared to $2,657.2 million at August 31, 2020, a decrease of $4.4 million. The decrease in total capitalization is principally related to the decrease in accumulated deficit of $97.3 million, offset by lower bank debt of $92.4 million and higher cash of $13.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL COMMITMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company initiated total return swap agreements on 3,197,500 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the company does not anticipate any non-performance. The estimated fair value of these agreements as at February 28, 2021 is an asset of $1.8 million.

On November 11, 2020 and December 10, 2020, the Company entered into two additional series of foreign exchange forward contracts totalling $120.0 million U.S. dollars, bringing the total of foreign exchange forward contracts to $157.9 million U.S. dollars. All foreign exchange forward contracts fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities.

The Company has the following undiscounted contractual obligations related to forward currency contracts as at February 28, 2021:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	202,727	65,469	98,325	38,933	—
Contractual USD cash inflows	157,900	51,400	76,500	30,000	—

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, 2020, 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.

(thousands of Canadian dollars)	Three months ended February 28, 2021	February 29, 2020	Six months ended February 28, 2021	February 29, 2020
Cash provided by (used in):				
Operating activities	**93,708**	65,743	**157,089**	123,215
Investing activities	**(4,408)**	(670)	**(5,815)**	(6,221)
	89,300	65,073	**151,274**	116,994
Add: cash used in business acquisitions and strategic investments [1]	**390**	—	**790**	1,127
Free cash flow	**89,690**	65,073	**152,064**	118,121

[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

(thousands of Canadian dollars, except per share amounts)	Three months ended February 28, 2021	February 29, 2020	Six months ended February 28, 2021	February 29, 2020
Net income attributable to shareholders	**35,300**	18,524	**111,964**	96,640
Adjustments, net of income tax:				
Integration, restructuring and other costs	**2,196**	7,376	**5,383**	9,240
Adjusted net income attributable to shareholders	**37,496**	25,900	**117,347**	105,880
Basic earnings per share	**$0.17**	$0.09	**$0.54**	$0.46
Adjustments, net of income tax:				
Integration, restructuring and other costs	**$0.01**	$0.03	**$0.02**	$0.04
Adjusted basic earnings per share	**$0.18**	$0.12	**$0.56**	$0.50

NET DEBT AND NET DEBT TO SEGMENT PROFIT

Net debt is calculated as long-term debt plus lease liabilities, 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 February 28, 2021	As at August 31, 2020
Total bank loans, net of unamortized financing fees	**1,413,707**	1,506,089
Lease liabilities	**146,985**	148,580
Cash and cash equivalents	**(59,222)**	(45,900)
Net debt	**1,501,470**	1,608,769
Net debt (numerator)	**1,501,470**	1,608,769
Segment profit (denominator) [1]	**497,062**	505,839
Net debt to segment profit	**3.02**	3.18

[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, 2020 Annual Report under the "Risks and Uncertainties" section. The following is an update to the changes in the risks or uncertainties facing the Company since that date.

COVID-19

All provinces and territories have begun mass vaccination programs to inoculate Canadians against COVID-19, however the phased-in roll-outs remain fluid as public health authorities continue to make adjustments to their plans due to the timing and volume of shipments from vaccine suppliers to the Federal government and then to each community. Current government forecasts indicate that all Canadians will be fully immunized before the end of September 2021, which is dependent on approved vaccine suppliers continuing to meet quarterly delivery targets. Many provinces and territories had begun to ease restrictions subsequent to February 28, 2021, but the growing emergence of COVID-19 variants of concern that are more transmissible and and carry increased health risks are causing a surge in cases and an increase in hospitalizations, which has led to most communities reintroducing emergency measures to counter any resurgence of COVID-19 cases. Disruptions caused by the imposition of these emergency measures, particularly in the retail and tourism sectors, continue to negatively impact advertising revenues. Although emergency measures are expected to ease in many provinces and territories in the third quarter of fiscal 2021 as more Canadians begin to receive vaccinations, the uncertainty created by variants of concern and closures of many small businesses could continue to adversely impact advertising and other revenues for a prolonged period. There can be no certainty that inoculations will reduce the impact of the COVID-19 pandemic on the Company's business in the short to medium term.

The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others. Any of these developments, and others, could have a material adverse effect on the Company's business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

The Company's financial priorities remain unchanged. Importantly the Company remains committed to increasing its financial flexibility over the longer term. In this environment, the Company believes it is prudent to conserve cash out of an abundance of caution. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

Broadcasting Act Bill C-10

On November 3, 2020, the Minister of Canadian Heritage tabled Bill C-10 in Parliament, which proposes amendments to the *Broadcasting Act*. Most notably, the bill proposes incorporating "online undertakings" into the Canadian broadcasting regulatory framework, and replacing "conditions of licence" with "conditions of service". Whereas "conditions of licence" are only applicable to traditional broadcasting licence-holders, "conditions of service" would be applicable to all entities captured by the *Broadcasting Act*, including "online undertakings." The Minster also pledged to release a "direction" to the CRTC with more specific policy parameters for the regulator. Further regulatory consultation processes are expected to follow passage of the bill, which is currently proceeding through a multi-stage review process in Parliament. The potential outcome of this process is difficult to predict and, as such, the specific impact on the Company is not determinable at this time but the bill and related changes could adversely affect the Company's results of operations and financial performance.

Digital Charter Implementation Act Bill C-11

On November 17, 2020, the Minister of Innovation, Science and Industry tabled Bill C-11 in Parliament, which proposes significant changes to Canada's private sector privacy laws. The bill seeks to enact the *Consumer Privacy Protection Act* ("CPPA") while simultaneously repealing corresponding provisions from Canada's existing data privacy legislation, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"). The CPPA would create new privacy obligations for data collecting organizations, including new requirements regarding informed consent and algorithmic transparency, as well as strict penalties for non-compliance, while maintaining and supplementing PIPEDA's policy principles. Bill C-11 also proposes to enact the *Personal Information and Data Protection Tribunal Act*, which would create a new administrative tribunal to hear appeals of the Privacy Commissioner's decisions and assists in administering the CPPA. Further regulatory development processes are expected to follow passage of the bill, which is currently proceeding through a multi-stage review process in Parliament. The impact of the CPPA on the Company's business, operations and financial condition cannot be determined at this time. Although the Company operates compliance procedures to address the obligations under PIPEDA and is reviewing these procedures in respect of the CPPA, there can be no assurance that the Company's compliance procedures will prevent a non-compliance event. Any failure to comply with applicable privacy laws could materially adversely impact Corus' results of operations.

IMPACT OF NEW ACCOUNTING POLICIES

The IASB continues to issue new and revised IFRS. There are no pending accounting standard changes that would have a significant effect on the Company's results and operations.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2021

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2020. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 3 – *Business Combinations ("IFRS 3")*

In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The Company will apply the standard prospectively from September 1, 2020. The effects, if any, of the amended standard on the Company's financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

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 second quarter ended February 28, 2021 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	As at February 28, 2021	As at August 31, 2020
ASSETS		
Current		
Cash and cash equivalents	**59,222**	45,900
Accounts receivable	**360,539**	297,585
Prepaid expenses and other assets	**24,528**	17,112
Total current assets	**444,289**	360,597
Tax credits receivable	**31,125**	26,745
Investments and other assets	**64,812**	59,424
Property, plant and equipment	**318,907**	333,762
Program rights	**603,485**	637,819
Film investments	**41,492**	44,891
Intangibles (note 4)	**1,737,255**	1,789,018
Goodwill	**664,958**	664,958
Deferred income tax assets	**58,594**	53,668
	3,964,917	3,970,882
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**510,309**	451,682
Current portion of bank debt (note 5)	**116,589**	76,339
Provisions	**8,094**	8,621
Income taxes payable	**9,575**	12,698
Total current liabilities	**644,567**	549,340
Long-term portion of bank debt (note 5)	**1,297,118**	1,429,750
Other long-term liabilities	**427,953**	492,956
Provisions	**9,303**	9,494
Deferred income tax liabilities	**434,691**	440,923
Total liabilities	**2,813,632**	2,922,463
EQUITY		
Share capital (note 6)	**816,189**	816,189
Contributed surplus	**1,511,886**	1,511,325
Accumulated deficit	**(1,328,118)**	(1,425,432)
Accumulated other comprehensive income (deficit)	**772**	(2,258)
Total equity attributable to shareholders	**1,000,729**	899,824
Equity attributable to non-controlling interest	**150,556**	148,595
Total equity	**1,151,285**	1,048,419
	3,964,917	3,970,882

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited - in thousands of Canadian dollars, except per share amounts)	Three months ended February 28, 2021	Three months ended February 29, 2020	Six months ended February 28, 2021	Six months ended February 29, 2020
Revenues	**358,874**	375,995	**779,229**	843,873
Direct cost of sales, general and administrative expenses (note 7)	**246,234**	260,086	**487,982**	543,849
Depreciation and amortization	**38,301**	40,299	**76,288**	80,266
Interest expense (note 8)	**24,347**	29,783	**49,083**	58,606
Integration, restructuring and other costs	**2,988**	10,024	**7,324**	12,558
Other expense (income), net (note 9)	**(6,292)**	5,448	**(6,857)**	3,385
Income before income taxes	**53,296**	30,355	**165,409**	145,209
Income tax expense (note 10)	**13,399**	7,932	**42,964**	38,426
Net income for the period	**39,897**	22,423	**122,445**	106,783
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized change in fair value of cash flow hedges	**2,542**	(9,157)	**5,029**	(4,208)
Unrealized foreign currency translation adjustment	**(383)**	231	**(412)**	178
	2,159	(8,926)	**4,617**	(4,030)
Items that will not be reclassified to income:				
Unrealized change in fair value of financial assets	**(808)**	1,057	**(1,587)**	6,565
Actuarial gain (loss) on post-retirement benefit plans	**6,344**	(12,471)	**9,729**	(7,715)
	5,536	(11,414)	**8,142**	(1,150)
Other comprehensive income (loss), net of income taxes	**7,695**	(20,340)	**12,759**	(5,180)
Comprehensive income for the period	**47,592**	2,083	**135,204**	101,603
Net income attributable to:				
Shareholders	**35,300**	18,524	**111,964**	96,640
Non-controlling interest	**4,597**	3,899	**10,481**	10,143
	39,897	22,423	**122,445**	106,783
Comprehensive income (loss) attributable to:				
Shareholders	**42,995**	(1,816)	**124,723**	91,460
Non-controlling interest	**4,597**	3,899	**10,481**	10,143
	47,592	2,083	**135,204**	101,603
Earnings per share attributable to shareholders:				
Basic	**$0.17**	$0.09	**$0.54**	$0.46
Diluted	**$0.17**	$0.09	**$0.54**	$0.46

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 (deficit)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2020	816,189	1,511,325	(1,425,432)	(2,258)	899,824	148,595	1,048,419
Comprehensive income	—	—	111,964	12,759	124,723	10,481	135,204
Dividends declared	—	—	(24,996)	—	(24,996)	(8,407)	(33,403)
Actuarial gain on post-retirement benefit plans	—	—	9,729	(9,729)	—	—	—
Share-based compensation expense	—	561	—	—	561	—	561
Return of capital to non-controlling interest	—	—	—	—	—	(1,622)	(1,622)
Reallocation of equity interest	—	—	617	—	617	(617)	—
Equity funding by a non-controlling interest	—	—	—	—	—	2,126	2,126
As at February 28, 2021	816,189	1,511,886	(1,328,118)	772	1,000,729	150,556	1,151,285

(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, 2019	830,477	1,512,818	(758,757)	12,187	1,596,725	145,512	1,742,237
Comprehensive income (loss)	—	—	96,640	(5,180)	91,460	10,143	101,603
Dividends declared	—	—	(25,221)	—	(25,221)	(10,661)	(35,882)
Share repurchase under normal course issuer bid ("NCIB")	(9,761)	(3,629)	—	—	(13,390)	—	(13,390)
Share repurchase commitment under NCIB	(5,511)	(398)	—	—	(5,909)	—	(5,909)
Actuarial loss on post-retirement benefit plans	—	—	(7,715)	7,715	—	—	—
Share-based compensation expense	—	561	—	—	561	—	561
Equity funding by a non-controlling interest	—	—	—	—	—	5,411	5,411
As at February 29, 2020	815,205	1,509,352	(695,053)	14,722	1,644,226	150,405	1,794,631

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended **February 28, 2021**	Three months ended February 29, 2020	Six months ended **February 28, 2021**	Six months ended February 29, 2020
OPERATING ACTIVITIES				
Net income for the period	**39,897**	22,423	**122,445**	106,783
Adjustments to reconcile net income to cash flow from operations:				
Amortization of program rights (note 7)	**126,138**	122,962	**235,860**	255,563
Amortization of film investments (note 7)	**2,656**	5,255	**6,920**	11,081
Depreciation and amortization	**38,301**	40,299	**76,288**	80,266
Deferred income tax recovery	**(10,878)**	(99)	**(16,237)**	(6,078)
Share-based compensation expense	**269**	307	**561**	561
Imputed interest (note 8)	**11,009**	13,682	**22,043**	26,238
Payment of program rights	**(121,147)**	(147,809)	**(202,257)**	(267,001)
Net spend on film investments	**(7,557)**	(17,958)	**(17,306)**	(33,480)
CRTC benefit payments	**(23)**	(11)	**(635)**	(733)
Other	**607**	(2,533)	**1,279**	(3,208)
Cash flow from operations	**79,272**	36,518	**228,961**	169,992
Net change in non-cash working capital balances related to operations	**14,436**	29,225	**(71,872)**	(46,777)
Cash provided by operating activities	**93,708**	65,743	**157,089**	123,215
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(3,206)**	(2,016)	**(4,182)**	(6,290)
Proceeds from sale of property	**147**	30	**147**	39
Net cash flows for intangibles, investments and other assets	**(1,349)**	1,316	**(1,780)**	30
Cash used in investing activities	**(4,408)**	(670)	**(5,815)**	(6,221)
FINANCING ACTIVITIES				
Decrease in bank loans	**(61,119)**	(38,295)	**(94,636)**	(86,969)
Shares repurchased under NCIB	**—**	(9,667)	**—**	(12,963)
Return of capital to non-controlling interest	**—**	—	**(1,622)**	—
Payments of lease liabilities	**(3,999)**	(4,163)	**(7,966)**	(8,047)
Equity funding by a non-controlling interest	**2,126**	3,277	**2,126**	5,411
Dividends paid	**(12,499)**	(12,648)	**(24,996)**	(25,366)
Dividends paid to non-controlling interest	**(4,162)**	(7,246)	**(8,407)**	(10,661)
Other	**(362)**	(2,122)	**(2,451)**	(2,509)
Cash used in financing activities	**(80,015)**	(70,864)	**(137,952)**	(141,104)
Net change in cash and cash equivalents during the period	**9,285**	(5,791)	**13,322**	(24,110)
Cash and cash equivalents, beginning of the period	**49,937**	64,249	**45,900**	82,568
Cash and cash equivalents, end of the period	**59,222**	58,458	**59,222**	58,458

Supplemental cash flow disclosures (note 12)

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 and 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 Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2020, 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, 2020, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three and six months ended February 28, 2021 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 8, 2021.

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.

The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others. Any of these developments, and others, could have a material adverse effect on the Company's business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

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

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2021

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2020.

The effects of these pronouncements on the Company's results and operations are described below:

IFRS 3 – Business Combinations ("IFRS 3")

In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The Company will apply the standard prospectively from September 1, 2020. The effects, if any, of the amended standard on the Company's financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

PENDING ACCOUNTING CHANGES

There are no pending accounting standard changes that would have a significant effect on the Company's results and operations.

4. INTANGIBLES

	Broadcast licenses [1]	Brands and trade marks	Other [2]	Total
Balance – August 31, 2020	895,983	879,512	13,523	1,789,018
Additions	—	—	3,863	3,863
Amortization	—	(50,895)	(4,731)	(55,626)
Balance – February 28, 2021	**895,983**	**828,617**	**12,655**	**1,737,255**

[1] Broadcast licenses are located in Canada.

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

5. BANK DEBT

	February 28, 2021	August 31, 2020
Bank loans	**1,422,097**	1,516,159
Unamortized financing fees	**(8,390)**	(10,070)
	1,413,707	1,506,089
Less: current portion of bank loans	**(116,589)**	(76,339)
	1,297,118	1,429,750

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at February 28, 2021, the weighted average interest rate on outstanding bank loans was 3.9% (February 29, 2020 – 4.0%). Interest on the bank loans averaged 4.0% for both the three and six months ended February 28, 2021 (February 29, 2020 – 4.1%, for both comparable periods).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit Agreement dated April 1, 2016 (the "Facility") as amended from time to time. Under the Facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at February 28, 2021.

CREDIT FACILITIES

In connection with the closing of the acquisition of Shaw Media in 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 May 31, 2019, the Company's credit agreement with a syndicate of banks was further amended. The principal amendment effected was the extension of the maturity for the Term Facility and the Revolving Facility. The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Term Facility with the accretion recognized within interest expense on the interim condensed consolidated statements of income and comprehensive income.

Term Facility

As at February 28, 2021, the Term Facility was composed of three tranches, with the first tranche in the amount of $590.5 million and having a maturity date of May 31, 2024, the second tranche in the amount of $802.7 million and having a maturity date of May 31, 2023, and the third tranche in the amount of $40.3 million and having a maturity date of November 30, 2021.

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

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

Revolving Facility

The Revolving Facility matures on May 31, 2023. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at February 28, 2021, all of the Revolving Facility was available and could be drawn.

INTEREST RATE SWAP AGREEMENTS

The Company has entered into Canadian interest rate swap agreements to fix the interest rate on a portion of its outstanding term loan facilities. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The current notional values of the interest rate swap agreements are $870.0 million and $485.0 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 February 28, 2021 is $16.6 million (August 31, 2020 – $26.3 million), which has been recorded in the interim consolidated statements of financial position as a long-term liability. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

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

TOTAL RETURN SWAPS

The Company initiated total return swap agreements on 3,197,500 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at February 28, 2021 was an asset of $1.8 million (August 31, 2020 – a liability of $3.3 million), which has been recorded in the interim condensed consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the interim condensed consolidated statements of income and comprehensive income (note 7).

FORWARD CONTRACTS

On November 11, 2020 and December 10, 2020, the Company entered into two additional series of foreign exchange forward contracts totalling $120.0 million U.S. dollars. All foreign exchange forward contracts fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities.

As at February 28, 2021, the Company has a series of foreign exchange forward contracts totalling $157.9 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. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair values of future cash flow of the U.S. dollar forward contract derivatives change with fluctuations in the foreign exchange rate of U.S. dollars to Canadian dollars. The estimated fair value of these agreements as at February 28, 2021 was a liability of $0.9 million (August 31, 2020 – asset of $3.1 million), which has been recorded in the interim condensed consolidated statements of financial position as an other long-term liability and within other income, net (note 9) in the interim condensed consolidated statements of income and comprehensive income.

The Company has the following undiscounted contractual obligations related to forward foreign exchange contracts:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	202,727	65,469	98,325	38,933	—
Contractual USD cash inflows	157,900	51,400	76,500	30,000	—

6. 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, 2020	3,412,392	9,439	204,954,666	806,750	816,189
Balance – February 28, 2021	**3,412,392**	**9,439**	**204,954,666**	**806,750**	**816,189**

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		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Net income attributable to shareholders (numerator)	**35,300**	18,524	**111,964**	96,640
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**208,367**	210,349	**208,367**	211,087
Effect of dilutive securities	**216**	7	**—**	21
Weighted average number of shares outstanding – diluted	**208,583**	210,356	**208,367**	211,108

The calculation of diluted earnings per share for the three and six months ended February 28, 2021 excluded 6,270 and 6,287, respectively (February 29, 2020 – 5,878 and 5,459, respectively), weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

DIVIDENDS

On January 12, 2021, the Company declared quarterly dividends of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.

SHARE-BASED COMPENSATION

Share-based compensation expense recorded for the second quarter and year-to-date of fiscal 2021 in respect of the PSU, DSU and RSU plans was $3,907 and $8,022 (2020 – negative $56 and $2,799). As at February 28, 2021, the carrying value of the liability for these plans was $21,204 (August 31, 2020 – $9,094).

7. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Direct cost of sales				
Amortization of program rights	**126,138**	122,962	**235,860**	255,563
Amortization of film investments	**2,656**	5,255	**6,920**	11,081
Other cost of sales	**7,062**	9,247	**16,345**	19,473
General and administrative expenses				
Employee costs [1]	**77,157**	76,240	**154,375**	156,629
Other general and administrative	**33,221**	46,382	**74,482**	101,103
	246,234	260,086	**487,982**	543,849

[1] The estimated Canadian Emergency Wage Subsidy ("CEWS") for the three and six months ended February 28, 2021 is approximately $4.4 million and $8.2 million, respectively, has been recorded principally as a reduction of employee costs.

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

8. INTEREST EXPENSE

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Interest on long-term debt (note 5)	**14,369**	17,362	**29,164**	34,925
Imputed interest on long-term liabilities	**11,009**	13,682	**22,043**	26,238
Amortization of deferred gain on settled interest rate swap	**(1,398)**	(1,627)	**(2,853)**	(3,311)
Other	**367**	366	**729**	754
	24,347	29,783	**49,083**	58,606

9. OTHER EXPENSE (INCOME), NET

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Foreign exchange loss (income) (note 5)	**(5,557)**	6,542	**(5,416)**	5,335
Equity loss (gain) of associates	**—**	(3)	**12**	(2)
Other income	**(735)**	(1,091)	**(1,453)**	(1,948)
	(6,292)	5,448	**(6,857)**	3,385

10. INCOME TAXES

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

			Six months ended	
	February 28, 2021		February 29, 2020	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**43,637**	**26.4**	38,470	26.5
Income subject to tax at less than statutory rates	**(778)**	**(0.5)**	(261)	(0.2)
Impact of valuation allowance recorded against future income tax assets in the year	**(815)**	**(0.5)**	(227)	(0.2)
Transaction costs	**(147)**	**(0.1)**	(83)	0.0
Increase of various tax reserves	**95**	**0.1**	156	0.1
Miscellaneous differences	**972**	**0.6**	371	0.3
	42,964	**26.0**	38,426	26.5

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

11. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 33 specialty television networks (34 services prior to December 31, 2020; 35 services prior to December 31, 2019; 37 services prior to September 30, 2019), 15 conventional television stations, digital assets, a social media digital agency, a social media creator network, 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 urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations.

CORPORATE

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

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, integration, restructuring and other 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, except as described in note 3.

REVENUES AND SEGMENT PROFIT

Three months ended February 28, 2021	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**338,519**	**20,355**	**—**	**358,874**
Direct cost of sales, general and administrative expenses	**218,963**	**18,946**	**8,325**	**246,234**
Segment profit (loss)	**119,556**	**1,409**	**(8,325)**	**112,640**
Depreciation and amortization				**38,301**
Interest expense				**24,347**
Integration, restructuring and other costs				**2,988**
Other income, net				**(6,292)**
Income before income taxes				**53,296**

Three months ended February 29, 2020	Television	Radio	Corporate	Consolidated
Revenues	347,843	28,152	—	375,995
Direct cost of sales, general and administrative expenses	232,371	23,576	4,139	260,086
Segment profit (loss)	115,472	4,576	(4,139)	115,909
Depreciation and amortization				40,299
Interest expense				29,783
Integration, restructuring and other costs				10,024
Other expense, net				5,448
Income before income taxes				30,355

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

Six months ended February 28, 2021	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**730,621**	**48,608**	**—**	**779,229**
Direct cost of sales, general and administrative expenses	**431,500**	**40,058**	**16,424**	**487,982**
Segment profit (loss)	**299,121**	**8,550**	**(16,424)**	**291,247**
Depreciation and amortization				**76,288**
Interest expense				**49,083**
Integration, restructuring and other costs				**7,324**
Other income, net				**(6,857)**
Income before income taxes				**165,409**

Six months ended February 29, 2020	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	777,794	66,079	—	843,873
Direct cost of sales, general and administrative expenses	483,704	49,475	10,670	543,849
Segment profit (loss)	294,090	16,604	(10,670)	300,024
Depreciation and amortization				80,266
Interest expense				58,606
Integration, restructuring and other costs				12,558
Other expense, net				3,385
Income before income taxes				145,209

Revenues are derived from the following areas:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Advertising	**205,006**	225,860	**478,078**	548,269
Subscriber fees	**124,211**	123,750	**247,912**	247,419
Merchandising, distribution and other	**29,657**	26,385	**53,239**	48,185
	358,874	375,995	**779,229**	843,873

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Interest paid	**14,568**	17,730	**29,728**	35,717
Interest received	**128**	239	**192**	635
Income taxes paid	**25,510**	21,794	**59,615**	38,661

13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 interim condensed consolidated financial statements.