Fourth Quarter 2020
Report to Shareholders

For the Three Months and Year Ended August 31, 2020
(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 August 31,		Year ended August 31,	
	2020	2019	**2020**	2019
Revenues				
Television	**299,122**	343,755	**1,408,238**	1,544,892
Radio	**19,274**	33,724	**102,998**	142,590
	318,396	377,479	**1,511,236**	1,687,482
Segment profit [(1)(2)]				
Television	**98,787**	108,612	**508,715**	573,524
Radio	**1,195**	6,911	**16,023**	34,646
Corporate	**(5,480)**	(5,747)	**(18,899)**	(23,085)
	94,502	109,776	**505,839**	585,085
Net income (loss) attributable to shareholders	**30,278**	22,947	**(625,362)**	156,084
Adjusted net income attributable to shareholders [(1)]	**33,181**	27,930	**158,057**	181,006
Basic earnings (loss) per share	**$0.15**	$0.11	**($2.98)**	$0.74
Adjusted basic earnings per share [(1)]	**$0.16**	$0.13	**$0.75**	$0.85
Diluted earnings (loss) per share	**$0.15**	$0.11	**($2.98)**	$0.74
Free cash flow [(1) (2)]	**87,353**	93,554	**296,247**	309,970

(1) Segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by 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 August 31, 2019 Annual Report.

(2) Segment profit for the three months and year ended August 31, 2020 was impacted by the adoption of the new accounting standard, IFRS 16 - Leases, effective September 1, 2019. This has resulted in an increase in segment profit for the quarter and year of approximately $3.3 million and $13.4 million, respectively, and an increase in free cash flow of approximately $3.8 million and $15.9 million, respectively. Further discussion of this can be found in the Impact of New Accounting Policies section of this report.

HIGHLIGHTS IN THE QUARTER

- On June 4, 2020, the Company expanded 13 of its top-tier linear television brands onto VMedia's newly launched RiverTV, the first Canadian-owned virtual broadcasting distribution undertaking (vBDU). Corus' networks are included in RiverTV's bundle of over 30 channels, offering live and on-demand content.
- On June 9, 2020, the Company's Global News outlets received 11 Radio Television Digital News Association Awards honouring national and regional journalism excellence in Television, Digital and Multiplatform. In addition, three Global News and Corus Radio staff received Lifetime Achievement Awards.
- On June 9, 2020, the Company declared a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively, with a record date of June 16, 2020 and a payment date of June 30, 2020.
- On June 22, 2020, the Company was selected as a Canadian constituent in the LGBT Corporate Canadian Index ("LGBT CCI"), a benchmark for understanding and measuring LGBT Diversity and Inclusion within corporate Canada.
- On June 22, 2020, the Company announced a collaboration with Playwire, a revenue amplification company in verticals including e-sports, gaming, kids education and entertainment. The new offering in Canada delivers advertisers premium inventory online, in-game and across connected TV devices.
- On June 23, 2020, the Company announced an agreement with NBCUniversal to air marquee Peacock Original programming in Canada. The exclusive deal includes a selection of original scripted and unscripted content, along with movies and specials, produced for Peacock and airing across Corus networks and platforms, with full linear and on-demand stacking rights
- On June 23, 2020, Global Television unveiled its 2020/2021 programming slate featuring new series *The Equalizer* and *neXt*, along with 19 returning primetime hit shows including *New Amsterdam*, *Evil* and *Survivor*, as well as Global Original event series *Departure*.
- On June 23, 2020, the Company announced its content slate for the 2020/2021 broadcast year across its collection of premium specialty networks, including 43 new and returning Canadian Original series and movies. Corus' specialty programming offerings include the return of *Outlander* and *The Good Fight* on W Network, *Batwoman* and *Absentia* on Showcase, *Vikings* and *The Curse of Oak Island* on History, *Scott's Vacation House Rules* and *Property Brothers: Forever Home* on HGTV Canada, and new series *Chopped: Beat the Judge* on Food Network Canada. This year, Corus Studios will introduce 20 new and returning series including *Cheese: A Love Story*, *Family Home Overhaul*, *Island of Bryan*, *Rust Valley Restorers* and *Great Chocolate Showdown*. The Company's Nelvana subsidiary announced seven new and returning series including *The Hardy Boys*, *Esme & Roy*, *Miss Persona* and *Ranger Rob*.
- On August 19, 2020, the Company declared a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively, with a record date of September 15, 2020 and a payment date of September 30, 2020.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On September 3, 2020, so.da and Twitter announced its seventh branded content series to launch as part of the Company's Twitter Originals Fueled by so.da partnership #ShopSmallStories with Amex Canada. The series is inspired by the movement to support local Canadian-owned business within communities and brings small businesses to the forefront showcasing how small business owners run their shops, and how they serve their communities with resilience and hard work.
- On September 8, 2020, Global announced its new slate of TV series joining the fall primetime schedule including seven newly licensed series, delivering 15.5 hours of simulcast. Along with new daytime show *The Drew Barrymore Show*, Global added a mix of TV genres to its lineup including scripted true crime series *Manhunt: Deadly Games* and critically acclaimed comedy *One Day at A Time*. In addition, new reality series *I Can See Your Voice*, and *The Greatest #AtHome Videos*, and documentary series *The FBI Declassified*, *and 48 Hours: Suspicion*, a special edition of *48 Hours* join the schedule.
- On September 10, 2020, the Company announced Corus Radio Toronto's Q107 was the most listened to commercial station in Toronto this past summer, finishing the season with the highest share of tuning for adults aged 25-54, while Corus Radio Vancouver's Rock 101 was the most listened to commercial station in Vancouver this past summer, finishing the season with the highest share of tuning for adults aged 25-54.
- On September 17, 2020, the CRTC launched a public consultation process to consider whether to grant regulatory flexibility to licenced broadcasters in light of COVID-19. In its "Notice of Consultation" document, the CRTC expressed openness to determining broadcasters' compliance with certain regulatory requirements based on whether they have fulfilled their obligations over "a more protracted period of time." Stakeholders will have the opportunity to submit comments until October 19, 2020 and to submit reply comments on October 29, 2020. The CRTC is expected to release a decision sometime in the ensuing months.
- On September 23, 2020, Governor General Julie Payette delivered the Speech from the Throne, which opened a new session of Parliament and revealed the government's upcoming policy agenda. The speech included a government commitment to change the rules governing "web giants," to ensure they "contribute to the creation, production, and distribution of our stories," thus implying that amendments to the *Broadcasting Act* will be tabled this session. During an appearance at the Banff World Media Festival on June 16, 2020, Minister of Canadian Heritage Steven Guilbeault indicated that the legislative amendments would be introduced by the end of the calendar year.
- On September 24, 2020, the Company and *ET Canada* were recognized with a 2020 CCMA Award for Country Music Program or Special of the Year for the week-long fundraising special *Canada Together: In Concert*. The special featured virtual performances and interviews from some of country music's biggest talent and helped to raise over $300,000 in support of Food Banks Canada and the Unison Benevolent Fund.
- On September 29, 2020, the Company announced the appointment of Lenore MacAdam as Head of Diversity and Inclusion, a newly created role reporting directly to CEO Doug Murphy.
- On October 5, 2020, the Company announced an agreement for Corus Radio Winnipeg's 680 CJOB to acquire the Winnipeg Jets' exclusive radio broadcast rights for all pre-season, regular season and playoff games for the 2020-21 through 2026-27 seasons. The games will also be simulcast on Corus Radio Winnipeg's Power 97.
- On October 12, 2020 the Company and Mattel Television announced a new co-production partnership that introduces a new creative approach for Mattel's popular *Thomas & Friends* television series. Mattel has greenlit 104x11-minute episodes and two 60-minute specials for the *Thomas & Friends* television series over two seasons, starting with Season 25.
- On October 21, 2020, the Company announced an agreement with Duncan Studio, the L.A. based award-winning independent animation company, to produce original high-quality animated feature films for the global market. *Mother Nature*, created by Ken Duncan, is the first title to be developed under the new agreement.
- On October 21, 2020, Global News announced the addition of two new regional news streams for Regina and Saskatoon to its free 24/7 news offering on the Global TV App. These join existing B.C., Calgary, Edmonton, Toronto, Winnipeg, Halifax, Montreal and National-based streams, expanding Global News' roster to ten free streams within the app.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2020 is prepared as at October 22, 2020. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2019 Annual Report and the interim condensed consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited interim condensed consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

Corus Entertainment Inc. ("Corus" or the "Company") reports its financial results under 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, 2019 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 2019, we refer you to the Company's Annual Report for the year ended August 31, 2019, filed on SEDAR on December 10, 2019.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the fourth quarter of fiscal 2020 of $318.4 million decreased 16% from $377.5 million in the prior year. On a consolidated basis, advertising revenues declined 27%, subscriber revenues were down 1%, while merchandising, distribution and other revenues were up 11% compared to the prior year. The decrease in advertising revenues was attributable to the continued market-wide contraction of demand resulting from COVID-19 restrictions. Revenues were down 13% in Television and decreased in Radio by 43%, compared to the prior year.

For the year ended August 31, 2020, consolidated revenues of $1,511.2 million decreased 10% from $1,687.5 million in the prior year. On a consolidated basis, advertising revenues decreased 16%, subscriber revenues decreased 1%, while merchandising, distribution and other revenues increased by 11% from the prior year. The COVID-19 related decrease in advertising revenues was isolated to the back half of the fiscal year. Revenues decreased 9% in Television and 28% 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 fourth quarter of fiscal 2020 of $223.9 million decreased 16% from $267.7 million in the prior year. On a consolidated basis, direct cost of sales decreased 12%, employee costs decreased 17% and general and administrative expenses decreased 27% from the prior year. The decrease in direct cost of sales arises from decreases in amortization of program rights and other cost of sales, offset by increases in amortization of film assets in the quarter. The decrease in employee costs was primarily due to estimated Canadian Emergency Wage Subsidy ("CEWS") funding of approximately $17.5 million, lower commission costs and reduced share-based compensation expense, partially offset by higher short-term compensation accruals in the quarter. Other general and administrative expenses were lower as a result of curtailed discretionary costs such as advertising and marketing, travel, entertainment, reductions in rent expenses as a result of the implementation of IFRS 16 - *Leases* as issued by the International Accounting Standards Board ("IASB") that reduced rent expenses charged through operating costs (refer to *Impact of New Accounting Policies* section of this report for further details), as well as relief on Part 1 Canadian Radio-television and Telecommunications Commission ("CRTC") fees. General and administrative expenses were also positively impacted by lower trade mark and transmission fees from the shut down of the Cosmo and IFC channels on September 30, 2019 and the FYI channel on December 31, 2019, as well as tariff royalties that are positively correlated with revenues, partially offset by increases over prior year in consulting fees, directors fees and to a lesser extent incremental COVID-19 related costs.

For the year ended August 31, 2020, direct cost of sales, general and administrative expenses of $1,005.4 million were down 9% from $1,102.4 million in the prior year. On a consolidated basis, direct cost of sales decreased 4%, employee costs decreased 13% and other general and administrative costs decreased 15% from the prior year. The decrease in direct cost of sales was driven by decreases in amortization of program rights and other cost of sales, offset by increases in amortization of film investments. The decrease in employee costs was primarily due to estimated CEWS funding of approximately $34.9 million, and decreases in commissions, short-term incentive accruals and share-based compensation expense. Other general and administrative expenses decreased principally from lower discretionary costs, rent costs, tariff royalties, trade mark and transmission fees, partially offset by higher estimated credit losses, consulting fees, and incremental COVID-19 costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the fourth quarter of fiscal 2020 was $94.5 million, which was down 14% from $109.8 million in the prior year. Segment profit margin for the fourth quarter of fiscal 2020 was 30%, an increase from 29% in the prior year.

For the year ended August 31, 2020, consolidated segment profit was $505.8 million, which was down 14% from $585.1 million in the prior year. Segment profit margin of 33% for the year ended August 31, 2020 was down from 35% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended August 31, 2020 was $38.8 million, an increase from $37.3 million in the prior year. The increase in the quarter was a result of increases in amortization of capital assets of $3.0 million, principally from capitalization and amortization of lease costs as required by the implementation of IFRS 16, offset by decreases in amortization of brands of $0.7 million and other intangible assets of $0.8 million.

Depreciation and amortization expense for the year ended August 31, 2020 was $158.5 million, a decrease from $182.4 million in the prior year. Decreases for the year resulted from lower amortization of brands of $33.7 million and other intangible assets of $2.0 million, offset by increases in amortization of capital assets of $11.8 million, principally from the implementation of IFRS 16. Amortization of brands has decreased significantly from the prior year as a result of accelerated amortization related to a change in estimate in fiscal 2019 of the useful life of the Action brand that was retired in April 2019.

INTEREST EXPENSE

Interest expense for the three months ended August 31, 2020 was $27.2 million, up from $26.3 million in the prior year. The increase results primarily from higher imputed interest of $3.4 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, as well as $0.2 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, partially offset by lower interest on bank debt of $2.6 million. The reduction in interest on bank debt is due to lower debt levels.

Interest expense for the year ended August 31, 2020 was $115.2 million, down from $117.7 million in the prior year. The decrease results from lower interest on bank debt of $14.8 million and total return swaps of $0.6 million, offset by higher imputed interest of $11.2 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, as well as $1.7 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017. Interest on bank debt is lower due to lower debt levels.

The effective interest rate on bank loans for the three months and year ended August 31, 2020 was 3.9% and 4.0%, respectively, compared to 4.1% and 4.3%, respectively in the comparable periods in the prior year. The decrease in the effective rate for fiscal 2020 is due to a lower interest rate margin resulting from reduced leverage.

BROADCAST LICENSES AND GOODWILL IMPAIRMENT

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. In the third quarter of fiscal 2020, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2019, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio cash generating units ("CGUs"). As a result of these tests, the Company recorded non-cash goodwill impairment charges of $673.0 million and $46.0 million in the Television and Radio operating segments, respectively, in the third quarter of fiscal 2020.

In addition, the pervasive economic impact of COVID-19 on Radio revenues meant that certain Radio markets had actual results and revised financial projections that fell well short of previous estimates, indicating that interim broadcast license impairment testing was also required. As a result of these tests, the Company recorded non-cash broadcast license impairment charges of $67.8 million in the Radio segment in the third quarter of fiscal 2020.

The Company has completed its annual impairment testing of broadcast licenses and goodwill and determined that there were no impairment charges required or recoveries as at August 31, 2020.

GAIN ON DEBT MODIFICATION

The gain on debt refinancing of $3.9 million in fiscal 2019 relates to the amendment of the Company's long-term credit facility agreements on May 31, 2019 (refer to note 8 of the interim condensed consolidated financial statements for further details).

INTEGRATION, RESTRUCTURING AND OTHER COSTS

For the three months and year ended August 31, 2020, the Company incurred $4.0 million and $19.2 million, respectively, of integration, restructuring and other costs, compared to $6.8 million and $26.3 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 FYI channel, continued transmitter decommissioning and system integration costs. The prior year costs relate to restructuring costs associated with employee exits, as well as onerous lease provision costs for office space vacated in Vancouver, decommissioning costs for certain transmitter sites, additional asset retirement obligations for the former Shaw Media headquarters in Toronto, costs associated with the rebranding of the ACTION channel to the Adult Swim channel, costs associated with the shut-down of the Cosmo and IFC channels 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 August 31, 2020 was $21.7 million, compared to $1.5 million in the prior year. The current year period includes a foreign exchange gain of $20.3 million primarily reflecting translation of USD denominated payables and other income of $1.4 million consisting of miscellaneous interest income, rent receipts and a Scientific Research and Experimental Development ("SRED") refund related to the construction of Corus Quay. In the prior year, a foreign exchange gain of $2.2 million was offset by miscellaneous other expenses of $0.7 million.

Other income for the year ended August 31, 2020 was $8.1 million compared to other expense of $10.5 million in the prior year. In the current year, other income includes foreign exchange gains of $4.3 million and income of $3.8 million from short-term investments, rental income, gains related to the sale of property in Woodstock, Ontario, a scientific research and experimental development tax credit refund and miscellaneous interest income. In the prior year, other expense includes an impairment charge related to an investment in an associate of $8.7 million, equity losses from associates of $0.9 million, and a net foreign exchange loss of $0.9 million, offset by income of $1.2 million from insurance proceeds and miscellaneous interest income. For the year ended August 31, 2020, forward foreign exchange contracts resulted in an unrealized foreign exchange loss of $2.9 million (2019 - gain of $2.2 million), which offset foreign exchange gains recorded related to the period end revaluation of USD denominated long term liabilities. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

INCOME TAX EXPENSE

The Company's effective income tax rate for the three months and year ended August 31, 2020 was an expense of 26.9% and a recovery of 7.4%, respectively. The significant difference between the statutory rate and effective tax rate for the year ended August 31, 2020 results from the impairment recorded on goodwill in the television and radio operating segments in the third quarter. The effective income tax rate for the three months and year ended August 31, 2019 was 30.1% and 28.3%, respectively. The difference between the statutory rates and the effective tax rates for the quarter ended August 31, 2019 resulted from the impact of valuation allowances recorded against future income tax assets and transaction costs, while the difference for the year resulted primarily from the Company's disposition of its interest in TLN.

NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS (LOSS) PER SHARE

Net income attributable to shareholders for the fourth quarter of fiscal 2020 was $30.3 million ($0.15 per share basic), as compared to $22.9 million ($0.11 per share basic) in the prior year. Net income attributable to shareholders for the fourth quarter of fiscal 2020 includes integration, restructuring and other costs of $4.0 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $33.2 million ($0.16 per share basic) in the quarter. Net income attributable to shareholders for the fourth quarter of fiscal 2019 includes integration, restructuring and other costs of $6.8 million ($0.02 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $27.9 million ($0.13 per share basic) in the prior year quarter.

Net loss attributable to shareholders for the year ended August 31, 2020 was $625.4 million ($2.98 loss per share basic), as compared to net income attributable to shareholders of $156.1 million ($0.74 per share basic) in the prior year. Net loss attributable to shareholders for fiscal 2020 includes broadcast license and goodwill impairments of $786.8 million ($3.66 per share) and integration, restructuring and other costs of $19.2 million ($0.07 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $158.1 million ($0.75 per share basic) for the current fiscal year. Net income attributable to shareholders for the year ended August 31, 2019 include integration, restructuring and other costs of $26.3 million ($0.09 per share), an impairment on an investment in associates of $8.7 million ($0.03 per share), a gain on debt modification of $3.9 million ($0.01 per share), and a loss on the disposition of TLN of $0.3 million ($nil per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $181.0 million ($0.85 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for the three months and year ended August 31, 2020 was 208,367,000 and 209,769,000, respectively, compared to 211,997,000 for both 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, NET OF INCOME TAX

Other comprehensive loss for the three months ended August 31, 2020 was $1.7 million, compared to $3.2 million in the prior year. For the three months ended August 31, 2020, other comprehensive loss includes an actuarial loss on the remeasurement of post-employment benefit plans of $5.2 million and an unrealized loss from foreign currency translation adjustments of $0.9 million, offset by an unrealized gain on the fair value of cash flow hedges of $2.4 million, and an unrealized gain from the change in fair value of financial assets of $2.0 million. In the prior year, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $3.9 million, 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 $0.2 million, offset by an actuarial gain on the remeasurement of post-employment benefit plans of $1.6 million.

Other comprehensive loss for the year ended August 31, 2020 was $5.6 million, compared to $43.0 million in the prior year. For the year ended August 31, 2020, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $15.5 million and an unrealized loss from foreign currency translation adjustments of $0.1 million, offset by an actuarial gain on the remeasurement of post-employment benefit plans of $8.9 million and an unrealized gain on the fair value of financial assets of $1.1 million. The prior year other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of $31.5 million, an actuarial loss on the remeasurement of post-employment benefit plans of $9.3 million, and an unrealized loss on the fair value of financial assets of $2.4 million, offset by an unrealized gain from foreign currency translation adjustments of $0.3 million.

TELEVISION

The Television segment is comprised of 34 specialty television services (35 services prior to December 31, 2019; 37 services prior to September 30, 2019; 44 services prior to March 22, 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 **August 31,**		Year ended **August 31,**	
(thousands of Canadian dollars)	**2020**	2019	**2020**	2019
Revenues				
Advertising	**146,565**	194,275	**823,448**	966,983
Subscriber fees	**122,066**	123,028	**490,985**	496,447
Merchandising, distribution and other	**30,491**	26,452	**93,805**	81,462
Total revenues	**299,122**	343,755	**1,408,238**	1,544,892
Expenses	**200,335**	235,143	**899,523**	971,368
Segment profit [(1)]	**98,787**	108,612	**508,715**	573,524
Segment profit margin[(1)]	**33%**	32%	**36%**	37%

[(1)] As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2019 Annual Report.

Revenues in the fourth quarter of fiscal 2020 decreased 13% from the prior year as a result of a decline of 25% in advertising revenues and 1% in subscriber revenues, while merchandising, distribution and other revenues increased 15%. The decrease in advertising revenues was attributable to the continued market-wide contraction of demand from COVID-19 restrictions resulting in advertising campaign cancellations or deferrals in the fourth quarter. The decline in advertising revenues in the fourth quarter were not as pronounced as in the prior quarter (three months ended May 31, 2020 – down 31%). Subscriber revenues were impacted by a negative retroactive adjustment in the current year quarter and a positive retroactive adjustment in the prior year quarter as well as the shut-down of the Cosmo and IFC channels in September 2019, and the shut-down of the FYI channel in December 2019, partially offset by increased subscriptions to STACKTV. The increase in merchandising, distribution and other revenues of $4.0 million was primarily driven by strong licensing sales of Nelvana and Corus Studio series, as well as back end revenue participations on Corus Studio series, partially offset by a decline in publishing revenues.

Revenues for the year ended August 31, 2020 were down 9% from the prior year. Decreases of 15% in advertising revenues and 1% in subscriber revenues were offset by a 15% ($12.3 million) increase in merchandising, distribution and other revenues. As noted above, the decline in advertising revenues resulted from continued demand contraction attributable to COVID-19, while subscriber revenues were up slightly on a proforma basis when adjusting for the impact of the TLN disposal in the prior year. The increase in merchandising, distribution and other revenues was primarily driven by licensing activity of Nelvana and Corus Studios series, back end revenue participations on Corus Studio series, as well as higher merchandising revenues, partially offset by a decline in publishing revenues.

Expenses in the fourth quarter of fiscal 2020 were down 15% from the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) decreased 11% from the prior year, while general and administrative expenses were down by 20% from the prior year. Amortization of program rights decreased by 10% from the prior year, other cost of sales decreased 49% ($4.4 million) and was offset by higher film amortization expense of 67% ($2.3 million). The decrease in amortization of program rights was driven predominantly by lower amortization arising from a larger number of repeats and fewer new episodes on all networks, the shut-down of three specialty television services (Cosmo and IFC in September 2019, and FYI in December 2019), offset by higher costs from the renewals of certain U.S. output deals and the Adult Swim channel deal, which commenced in April 2019. Amortization of film investments increased 67% ($2.3 million) from the prior year which was principally a result of an increased production slate in the fourth quarter, while the decrease in other cost of sales was principally a result of costs associated with certain sales initiatives. Employee costs decreased 16% primarily due to the estimated CEWS funding of $14.3 million and lower commission costs, partially offset by higher short-term compensation accruals. Other general and administrative expenses were 27% lower as a result of curtailed discretionary costs such as travel, entertainment, advertising and marketing, lower transmission costs, reductions in rent expenses resulting from the implementation of IFRS 16 (refer to *Impact of new Accounting Policies* section of this report for further details), as well as relief on Part 1 CRTC fees, lower variable trade mark fees, and tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenues, partially offset by modest increases for estimated credit losses.

Total expenses for the year ended August 31, 2020 were down 7% from the prior year as a result of a 3% decrease in direct cost of sales and a 13% decrease in general and administrative expenses. The decrease in direct cost of sales was driven by lower amortization of program rights and other costs of sales, partially offset by increased film amortization, while the decrease in general and administrative expenses arises from a 13% decrease in both employee costs and other general and administrative costs.

Segment profit(1) was down 9% for the fourth quarter of fiscal 2020 and 11% for the year ended August 31, 2020. The decrease in the fourth quarter and year was a result of decreases in revenues exceeding decreases in direct cost of sales and general and administrative expenses. Segment profit margin(1) for the quarter was 33% up from the prior year at 32%, and for the year ended August 31, 2020 was 36% down from the prior year at 37%.

In the third quarter of fiscal 2020, the Company recorded a non-cash goodwill impairment of $673.0 million with respect to the Television segment. The impairment charge resulted from the estimated recoverable amount being lower than the carrying amount. The non-cash goodwill impairment charge is excluded from the determination of segment profit (refer to note 6 of the interim condensed consolidated financial statements for further details).

(1) As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2019 Annual Report

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		Year ended	
	August 31,		**August 31,**	
(thousands of Canadian dollars)	**2020**	2019	**2020**	2019
Revenues	**19,274**	33,724	**102,998**	142,590
Expenses	**18,079**	26,813	**86,975**	107,944
Segment profit (loss)[1]	**1,195**	6,911	**16,023**	34,646
Segment profit margin[1]	**6%**	20%	**16%**	24%

[1]As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2019 Annual Report.

Revenues decreased 43% in the quarter and 28% in the year ended August 31, 2020. Advertising revenues continued to be significantly impacted by market-wide contraction of demand from COVID-19 restrictions resulting in outright cancellations or campaign deferrals in all markets. The decline in advertising revenues in the fourth quarter was not as pronounced as in the prior quarter (three months ended May 31, 2020 – down 53%).

The Company continues to work closely with its advertisers and agencies to create relevant and innovative marketing and advertising opportunities, which has meant that revenue declines are not as pronounced as they were when strict quarantine measures were in place.

Direct cost of sales and general and administrative expenses were down 33% in the quarter and 19% in the year ended August 31, 2020. The decreases were principally from lower employee costs as a result of estimated CEWS funding of $2.1 million, decreased rent costs resulting from the implementation of IFRS 16 on September 1, 2019, relief on Part 1 CRTC fees and reductions on tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenues, as well as a halt in discretionary spending on advertising and promotions, partially offset by modest increases for estimated credit losses.

Radio's segment profit[1] declined $5.7 million in the fourth quarter of fiscal 2020 and $18.6 million for the year. Segment profit margin[1] for the quarter of 6% and 16% for the year ended August 31, 2020 was down from segment profit margins of 20% and 24%, respectively, in the prior year comparable periods.

In the third quarter of fiscal 2020, the Company recorded non-cash impairment charges in broadcast licenses of $67.8 million and goodwill of $46.0 million. The impairment charges resulted from the estimated recoverable amounts of five Radio CGUs and the Radio segment CGU to be lower than the carrying amounts. The non-cash broadcast license and goodwill impairment charges are excluded from the determination of segment profit (refer to note 6 of the interim condensed consolidated financial statements for further details).

[1] As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2019 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		Year ended	
		August 31,		**August 31,**
(thousands of Canadian dollars)	**2020**	2019	**2020**	2019
Share-based compensation	**1,217**	1,636	**4,269**	5,347
Other general and administrative costs	**4,263**	4,111	**14,630**	17,738
	5,480	5,747	**18,899**	23,085

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 decreased in the fourth quarter by $0.4 million and $1.1 million for the year ended August 31, 2020. These decreases are due to the decline 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 8 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs increased 4% ($0.2 million) in the quarter, but decreased for the year ended August 31, 2020 by 18% from the prior year. The increase in the quarter is related to higher Directors fees, consulting costs and incremental COVID costs such as additional cleaning and personal protective equipment, offset by lower employee costs as a result of estimated CEWS funding. The increase in Directors fees arises from an additional Director compared to the prior year as well as DSU top-up for all Directors as a result of all Directors electing, in the third quarter, to receive their fees in DSUs and dividends on DSUs.

The decrease in other general and administrative costs in the year ended August 31, 2020 is principally related to lower employee costs as a result of estimated CEWS funding, decreased short-term compensation accruals, decreased share-based compensation accruals, decreased rent costs resulting from the implementation of IFRS 16 on September 1, 2019, and lower Directors fees resulting from fewer Directors throughout the year, partially offset by increased COVID-19 related facilities costs as well as consulting and legal costs.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2019, 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 2020, the impact of COVID-19 and measures to prevent its spread have significantly affected advertising revenues which have deviated from historical distribution patterns with the third quarter of fiscal 2020 being lower than both the first and second quarters, which has resulted in a downward trend in the second half of the year. The same pattern is observable in segment profit. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered, as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2020. 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, 2019, 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]
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
2nd quarter	384,115	113,148	6,344	15,733	$ 0.03	$ 0.03	$ 0.07	83,909
1st quarter	467,471	191,638	60,415	70,111	$ 0.28	$ 0.28	$ 0.33	42,406

[1] As defined in "Key Performance Indicators" of this report or Management's Discussion and Analysis in the August 31, 2019 Annual Report.

[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 this report for more information.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- 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).
- Net income attributable to shareholders for the second quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share), integration, restructuring and other costs of $4.0 million ($0.01 per share) and an impairment on an investment in an associate of $8.7 million ($0.03 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of $34.9 million ($0.12 per share) and integration, restructuring and other costs of $13.2 million ($0.05 per share).

FINANCIAL POSITION

Total assets at August 31, 2020 were $4.0 billion compared to $4.7 billion at August 31, 2019. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2019.

Effective September 1, 2019, the Company adopted the new lease accounting standard IFRS 16 with a modified retrospective application. This method of application does not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2020 as the cumulative effect of the initial application of the new standard was recognized at the date of initial application, September 1, 2019. The most significant effect of the new standard is 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 and financing costs arising from lease liabilities, rather than as part of general and administrative expenses. The adoption of the new standard has resulted in an increase to property, plant and equipment of approximately $138.4 million and other long-term liabilities of approximately $157.8 million as at September 1, 2019. The right-of-use assets have been reduced for accrued rents of $18.6 million, which arose under IAS 17. However, the implementation of IFRS 16 does not have any impact on lease economics or lease cash flows. Further discussion of the change in accounting policy for leases can be found in the *Impact of New Accounting Policies* section of this report.

Current assets at August 31, 2020 were $360.6 million, down $128.1 million from August 31, 2019.

Cash and cash equivalents decreased by $36.7 million from August 31, 2019. Refer to the discussion of cash flows in the next section.

Accounts receivable, which includes $22.1 million related to the estimated CEWS funding at August 31, 2020, decreased $75.2 million from August 31, 2019. 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 have been significantly impacted by the COVID-19 pandemic 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 and as collection uncertainties have increased for small to medium sized businesses, the Company has increased its estimated credit losses related to those accounts, which resulted in modest additional provisions for collection risk.

Tax credits receivable increased $1.7 million from August 31, 2019 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased $7.7 million from August 31, 2019, primarily as a result of an increase in the net asset position of certain post employment benefit plans and unrealized gains related to the fair value remeasurement of the investment in venture funds, offset by a decrease in unrealized gains related to forward foreign exchange contracts.

Property, plant and equipment increased $107.8 million from August 31, 2019 as a result of additions, principally the addition of right-of-use lease assets upon adoption of IFRS 16, exceeding depreciation expense.

Program rights increased $129.9 million from August 31, 2019, as additions of acquired rights of $629.5 million were offset by amortization of $495.8 million and a $3.8 million write-off of certain program rights related to the FYI channel shut-down on December 31, 2019.

Film investments decreased $8.4 million from August 31, 2019, as film additions (net of tax credit accruals) of $11.5 million were offset by film amortization of $20.1 million.

Intangibles decreased $87.2 million from August 31, 2019, primarily as a result of amortization of finite life intangibles and impairment charges recorded on certain Radio broadcast licenses of $67.8 million in the third quarter, offset by additions related to trade mark licenses and computer software. Goodwill decreased $719.0 million as a result of impairment charges related to the Television and Radio segments in the third quarter.

Accounts payable and accrued liabilities increased $22.2 million from August 31, 2019, principally as a result of higher program rights payable, trade marks payable, short-term lease liabilities, unremitted sales taxes and other accrued liabilities, which include other working capital accruals, offset by decreases to trade accounts payable, short-term compensation accruals, capital asset purchases, accruals related to third party back-end participations, unearned revenues, film production accruals and dividends payable.

Provisions, including the long-term portion, at August 31, 2020 of $18.1 million were consistent with the prior year at August 31, 2019 as a result of restructuring related payments being comparable to additions and additional provisions for asset retirement obligations.

Bank debt, including the current portion, as at August 31, 2020 was $1,506.1 million compared to $1,731.7 million as at August 31, 2019. As at August 31, 2020, the $76.3 million classified as the current portion of bank debt reflects the mandatory repayments in the following 12 months. During the year ended August 31, 2020, the Company repaid bank debt of $229.5 million and amortized $4.1 million of deferred financing charges.

Other long-term liabilities increased $214.8 million from August 31, 2019, primarily from increases in lease liabilities related to the implementation of IFRS 16, long-term program rights payable, trade marks payable, adjustments to the fair value of interest rate swap derivatives, and increases to long-term employee obligations, offset by reductions in deferred rent accruals related to the implementation of IFRS 16, long-term portion of tangible benefit obligations, as well as liabilities related to merchandising and other intangible rights.

Share capital decreased by $14.3 million from August 31, 2019 as a result of 3.6 million shares repurchased under the NCIB. Contributed surplus decreased by $1.5 million primarily as a result of the repurchases under the NCIB, offset by share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $33.7 million in the fourth quarter of fiscal 2020 and $36.7 million in the year ended August 31, 2020. Free cash flow for the three months and year ended August 31, 2020 was $87.4 million and $296.2 million, respectively, compared to $93.6 million and $310.0 million, in the same comparable periods in the prior year. Free cash flow for the three months ended August 31, 2020, was negatively impacted by commodity tax payments of $35.2 million deferred from the third quarter, offset by CEWS receipts of $16.1 million which are all reflected in the net change in non-cash working capital balances related to operations line item within operating activities in the consolidated statements of cash flows. Free cash flow for fiscal 2020 was positively impacted by CEWS receipts of $16.1 million and income tax deferrals of $17.2 million. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section.

Cash flow provided by operating activities for the three months and year ended August 31, 2020 was $94.2 million and $313.3 million, respectively, compared to $115.0 million and $343.6 million in the comparable periods in the prior year. The decrease in the current quarter of $20.8 million arises principally from lower cash provided by working capital of $24.5 million, offset by higher cash flow from operations of $3.6 million, which includes lower spend on program rights of $1.6 million and lower net spend on film investments of $4.6 million. The decrease for the year in the cash provided by operating activities of $30.3 million arises from lower cash flow from operations of $52.4 million, which includes higher spend on program rights of $9.5 million, offset by higher cash provided by working capital of $22.1 million.

Cash used in investing activities for the three months and year ended August 31, 2020 was $7.0 million and $19.0 million, respectively compared to $21.5 million and $30.2 million in the comparable periods in the prior year. In the current fiscal year, the Company had additions to property, plant, equipment of $15.4 million, and net cash outflows of $3.9 million for intangibles, investments and other assets. The prior year includes additions of property, plant, equipment of $30.1 million, payment of $6.0 million for the acquisition of certain KIN Canada assets, and net cash outflows of $6.7 million for intangibles, investments and other assets, offset by the proceeds from disposal of $12.5 million for the sale of TLN, net of divested cash and prepaid revenue from certain service arrangements.

Cash used in financing activities in the three months and year ended August 31, 2020 was $120.9 million and $330.9 million, respectively, compared to $80.2 million and $325.6 million in the comparable periods in the prior year. In the current year, the Company repaid bank debt of $229.5 million, paid dividends of $70.4 million to shareholders and non-controlling interests, repurchased shares of $16.9 million, made payments related to right-of-use leases of $15.9 million, and made payments of $3.6 million related to software license liabilities, offset by equity funding of a non-controlling interest of $5.4 million. In the prior year, the Company repaid bank debt of $250.0 million, paid financing costs of $3.4 million to amend credit facilities, paid dividends of $68.5 million to shareholders and non-controlling interests and made capital lease payments of $3.7 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's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

As at August 31, 2020, the Company had a net cash balance of $45.9 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 8 of the Company's interim condensed consolidated financial statements.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2020, net debt was $1,608.8 million, down from $1,649.2 million at August 31, 2019 as a result of increased debt for lease liabilities of $148.6 million reduced by repayments of bank debt of $229.5 million. Net debt to segment profit as at August 31, 2020 was 3.18 times versus 2.82 times as at August 31, 2019. In fiscal 2020 the increase in net debt and net debt to segment profit reflects increased debt for lease liabilities and a full twelve months of segment profit that excludes operating lease costs as prescribed by the new lease accounting standards IFRS 16. Fiscal 2019 net debt and net debt to segment profit does not reflect increased debt levels for lease liabilities nor does it remove from segment profit operating lease costs as this was prior to the adoption of IFRS 16 on September 1, 2019. Further discussion on this is contained in the *Impact of New Accounting Policies* section.

TOTAL CAPITALIZATION

As at August 31, 2020, total capitalization was $2,508.6 million compared to $3,391.4 million at August 31, 2019, a decrease of $882.8 million. The reduction in total capitalization is principally related to the non-cash broadcast license and goodwill impairment charges of $786.8 million recorded in the third quarter of fiscal 2020 which increased the accumulated deficit, lower bank debt of $225.7 million, a reduction in share capital as a result of the purchase and cancellation of 3.6 million shares under the NCIB which commenced November 12, 2019, and a decrease in cash of $36.7 million, offset by an increase in equity attributable to non-controlling interest of $3.1 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

There have been no substantial changes to the Company's contractual obligations reported in its 2019 Annual Management's Discussion and Analysis. A copy of the 2019 Annual Management's Discussion and Analysis, which includes a summary of the Company's contractual commitments, is available on SEDAR at www.sedar.com.

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, 2019, 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.

	Three months ended	August 31,	Year ended	August 31,
(thousands of Canadian dollars)	**2020**	2019	**2020**	2019
Cash provided by (used in):				
Operating activities [1]	**94,198**	115,039	**313,272**	343,553
Investing activities	**(6,995)**	(21,485)	**(19,005)**	(30,215)
	87,203	93,554	**294,267**	313,338
Add: cash used in business acquisitions and strategic investments [2]	**150**	—	**1,980**	9,161
Deduct: cash provided by business divestiture, net of divested cash	**—**	—	**—**	(12,529)
Free cash flow	**87,353**	93,554	**296,247**	309,970

[1] Free cash flow for the three months and year ended August 31, 2020 was impacted by the adoption of IFRS 16, effective September 1, 2019. This has resulted in an increase in free cash flow of approximately $3.8 million for the quarter and $15.9 million for the year. Further discussion of this can be found in the Impact of New Accounting Policies Section of this report.

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

	Three months ended	August 31,	Year ended	August 31,
(thousands of Canadian dollars, except per share amounts)	**2020**	2019	**2020**	2019
Net income (loss) attributable to shareholders	**30,278**	22,947	**(625,362)**	156,084
Adjustments, net of income tax:				
Impairment of investment in associates	**—**	—	**—**	7,565
Broadcast licences and goodwill impairment	**—**	—	**769,338**	—
Gain on debt modification	**—**	—	**—**	(2,856)
Loss from disposition of the Telelatino Network	**—**	—	**—**	814
Integration, restructuring and other costs	**2,903**	4,983	**14,081**	19,399
Adjusted net income attributable to shareholders	**33,181**	27,930	**158,057**	181,006

	Three months ended	August 31,	Year ended	August 31,
	2020	2,019	**2020**	2019
Basic earnings (loss) per share	**$0.15**	$0.11	**($2.98)**	$0.74
Adjustments, net of income tax:				
Impairment of investment in associates	**—**	—	**—**	$0.03
Broadcast licences and goodwill impairment	**—**	—	**$3.66**	—
Gain on debt modification	**—**	—	**—**	($0.01)
Loss from disposition of the Telelatino Network	**—**	—	**—**	—
Integration, restructuring and other costs	**$0.01**	$0.02	**$0.07**	$0.09
Adjusted basic earnings per share	**$0.16**	$0.13	**$0.75**	$0.85

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 August 31, 2020**	As at August 31, 2019
Total bank loans, net of unamortized financing fees	**1,506,089**	1,731,745
Lease liabilities	**148,580**	—
Cash and cash equivalents	**(45,900)**	(82,568)
Net debt	**1,608,769**	1,649,177

(thousands of Canadian dollars)	**As at August 31, 2020**	As at August 31, 2019
Net debt (numerator)	**1,608,769**	1,649,177
Segment profit (denominator) (1)	**505,839**	585,085
Net debt to segment profit	**3.18**	2.82

(1) Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section. Effective September 1, 2019, the Company adopted IFRS 16. There has been no restatement of segment profit for the fiscal 2019 quarters prior to adoption. Refer to Impact of New Accounting Policies section of this report for more information.

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2019 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.

The Company continues to closely monitor the evolution of the COVID-19 situation. The COVID-19 pandemic continues to significantly impact the well being of individuals and the Canadian and global economies. The Company has implemented a specific response plan, informed by measures recommended by public health agencies, to continue providing its essential services and support to customers while safeguarding the health and safety of employees. Appropriate business continuity measures have been taken to ensure uninterrupted service of the Company's television, digital and radio operations.

Restrictions have been reintroduced in some provinces to tackle recent surges of COVID-19 cases which will impact various sectors and businesses; however, the Company continues to operate with more than 70% of its workforce working remotely and will not rush to return people to their worksites. The Company has adopted an "ease back" approach to ensure that the health of its people and the communities they work in are protected. Development of company-wide principles and guidelines, informed by public health authorities' recommendations, and site-specific plans have been made and continue to be adjusted as necessary on a location-by-location basis. Site-specific plans may include reduced occupancy at some sites, or modification of workspaces to provide protection to the Company's employees.

The Company continues to update employees on a regular basis to provide information on the situation and on the continuing necessary precautions to be taken.

The impact of COVID-19 and measures to prevent its spread have affected the Company in a number of ways. Most significantly, advertising sales continue to be materially impacted by businesses that remain shut-down or have severely cut back on discretionary spending, which has resulted in an overall decrease of 16% in the Company's consolidated revenues for the three months ended August 31, 2020. While COVID-19 continues to drive market-wide contraction in advertising demand, the rate of decline has improved in the Company's fourth quarter compared to its third quarter. The Company continues to work closely with its advertisers and agencies to create relevant and innovative marketing and advertising opportunities, which has meant that revenue declines are not as pronounced as they were when strict quarantine measures were in place. This has resulted in a decrease in consolidated advertising revenues of 27% for the three months ended August 31, 2020 compared to the prior year. However, the Company has seen a modest bounce back of merchandising, distribution and other revenues in the fourth quarter of 11% from the prior year. Increases in distribution revenues arose from licensing activity with U.S. broadcasters and streaming services.

The government imposed restrictions and closure of many businesses has increased accounts receivable collection uncertainty for small to medium size businesses and as a result, the Company has increased its estimated credit losses related to those accounts, which resulted in small additional provisions for collections risk in its radio business.

In addition, there have been disruptions in the production and availability of content, including suspension of production of most film and television content. This has led to a larger number of repeats and fewer new episodes on all networks that has resulted in lower programming costs. For Canadian original programming, the Company continues to work with industry groups to safely restart Canadian productions successfully and to manage incremental costs associated with enhanced COVID-19 precautions. Scarcity of producers, cast, crew, and studio space, together with the costs of personal protective equipment and insurance, are currently estimated to increase the cost of productions by up to 15%.

The shut-down and slow restart of Canadian productions has also meant that the Company's ability to meet its current year regulatory requirements on Canadian programming expenditure ("CPE") has been significantly hampered.

Further, the Company anticipates substantial challenges in meeting these requirements in fiscal 2021, also likely in fiscal 2022 and possibly in fiscal 2023. Although the Company's current production partners restarted productions prior to August 31, 2020, producers still remain challenged to find efficiencies to shoot faster with a smaller crew complement as well as reducing costs to remain within production budgets to offset COVID-19 costs, which has resulted in some shows that were slated to air in fiscal 2021 now set to deliver in fiscal 2022. In addition, the new original programming development pipeline was slowed down in the back half of fiscal 2020 as the Company worked with its production partners on getting shows that had been in production back up and running. The Company is ramping up original programming new content development, however it will continue to be challenged to meet CPE requirements, more so if productions are shut-down again as a result of a second wave of COVID-19. Corus is currently assessing its obligations and the potential implications of not fulfilling its CRTC obligations in light of the ongoing pandemic. The Company is exploring relief in respect of its CRTC obligations and is encouraged that the CRTC launched a public consultation on September 17, 2020 to consider possible regulatory flexibility measures for licenced broadcasters in response to COVID-19. In its initial Notice of Consultation document, the CRTC expressed willingness to determine broadcasters' compliance with certain requirements based on whether they have fulfilled those obligations over "a more protracted period of time." The Company expects this issue to be resolved through the CRTC consultation process in the coming months but is unable to predict the outcome at this time. The CRTC has already provided relief to broadcasters on Part 1 fees from April 2020 through to March 2021, which has reduced the Company's payments with respect to these fees by approximately $0.5 million in the quarter ended August 31, 2020 and will reduce payments by approximately $1.8 million in fiscal 2021.

The Company has determined it is eligible and is making an application for the Government of Canada CEWS for the additional periods of June 7 to July 4, July 5 to August 1, and August 2 to August 29 periods. The estimated CEWS of approximately $17.5 million for the three months ended August 31, 2020 has been recorded principally as a reduction of employee costs in the interim condensed consolidated financial statements. The Company has also availed itself of payment deferrals on Canadian income tax installments of $17.2 million in order to preserve cash (Canadian income tax installments were remitted as of September 30, 2020). In addition to government programs, the Company has also initiated other operating expense saving measures to safeguard its financial position and preserve cash which include: agreement from the Board of Directors to receive Deferred Share

Units in lieu of cash Directors' fees; pausing the buying back of shares under the Company's NCIB; scaling back capital investments; suspending new non-critical employee hiring; suspending travel and non-critical spending; and continuing to evaluate and apply for other government programs where applicable. The Company has continued to make applications for the CEWS periods subsequent to its fiscal year and will continue to do so under the extended program as long as it continues to meet the eligibility requirements.

It is too soon to gauge the medium to long-term impacts of the pandemic, given the many unknowns related to COVID-19. These include the duration, severity and the impact of a resurgence of the outbreak as emergency measures are eased or reintroduced. COVID-19 is altering business and consumer activity in many ways. The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, the temporary shut-down of non-essential services and extreme fluctuations in financial and commodity markets. Restrictive measures may be re-implemented by one or more governments in jurisdictions where the Company operates. Labour shortages due to illness, Company or government imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of the Company's operations. 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.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which the Company operates, could continue to negatively impact stock markets, including the trading price of its Class B Non-Voting Shares, could adversely impact its ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing or renegotiating the terms of its existing financing more challenging or more expensive. Potential impacts include, but are not limited to, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit loss on accounts receivable.

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, impairments of investments in venture funds and a change in the estimated credit losses on accounts receivable.

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.

IMPACT OF NEW ACCOUNTING POLICIES

The IASB continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's August 31, 2020 interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2020

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2019. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 16 — Leases ("IFRS 16")

Effective September 1, 2019, the Company adopted IFRS 16, which supersedes previous accounting standards for leases, including International Accounting Standard 17 - *Leases* ("IAS 17)") and International Financial Reporting Interpretations Committee 4 - *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The new standard eliminates the distinction between operating and finance leases. For all lease arrangements, the lessee must recognize a right-of-use lease asset and a corresponding lease liability on the statement of financial position, including those for most leases that would previously have been accounted for as operating leases. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

The measurement of the total lease expense over the term of a lease is not affected by the new standard. The presentation on the statement of income and other comprehensive income required by the new standard will result in most non-executory lease expenses being recognized as depreciation of right-of-use lease assets and financing costs arising from lease liabilities, rather than as part of general and administrative expenses (executory lease expenses will remain a part of general and administrative costs). The new standard results in an acceleration of the timing of lease expense recognition for leases that would previously have been accounted for as operating leases.

Relative to the results of applying the previous standard, total cash flows are unaffected, however, the lessee's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities. This is the result of the presentation of the payments of leases, which were previously accounted for as operating leases, as a cash flow use within financing activities under the new standard.

The Company has adopted IFRS 16 on a modified retrospective basis, subject to permitted and elected practical expedients. Comparative information has not been restated and continues to be reported under IAS 17.

When applying IFRS 16, the Company has applied the following practical expedients:

- maintained the Company's lease assessments made under IAS 17 and IFRIC 4 for existing contracts;
- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- used hindsight in determining the lease term where the contract contains purchase, extension or termination options; and
- relied upon the Company's assessment of whether leases are onerous under the requirements of IAS 37 — *Provisions*, *Contingent Liabilities and Contingent Assets* as at August 31, 2019 as an alternative to reviewing the Company's right-of-use assets for impairment.

On transition, the Company has elected the recognition exemptions on short-term leases, with lease terms less than 12 months, or low-value leases; however, the Company may choose to not elect the recognition exemptions on a class-by-class basis for new classes, and lease-by-lease basis, respectively in the future.

There was no significant impact for contracts in which the Company is the lessor.

Upon adoption of IFRS 16, the Company recognized right-of-use lease assets within property, plant and equipment of $138.4 million and lease liabilities within other long-term liabilities of $157.8 million. The right-of-use assets have been reduced for accrued rents of $18.6 million, which arose under IAS 17. For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of the remaining lease payments discounted at the related incremental borrowing rate as at September 1, 2019. The weighted average incremental borrowing rate applied was 4.7%. The right-of-use asset at transition has been measured at an amount equal to the lease liabilities less previously accrued rent relating to the leases.

IFRIC 23 – *Uncertainty over income tax treatments ("IFRIC 23")*

Effective September 1, 2019, the Company adopted IFRIC 23, which clarifies how to apply the recognition and measurement requirements of IAS 12 - *Income Taxes* for taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates to determine current or deferred tax asset or liability when there is uncertainty over income tax treatments. There was no impact to the unaudited consolidated interim financial statements as a result of adopting this standard.

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 fourth quarter ended August 31, 2020 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 August 31, 2020**	As at August 31, 2019
ASSETS		
Current		
Cash and cash equivalents	**45,900**	82,568
Accounts receivable	**297,585**	372,828
Income taxes recoverable	**—**	13,772
Prepaid expenses and other assets	**17,112**	19,557
Total current assets	**360,597**	488,725
Tax credits receivable	**26,745**	25,035
Investments and other assets	**59,424**	51,707
Property, plant and equipment (note 3)	**333,762**	225,927
Program rights	**637,819**	507,913
Film investments	**44,891**	53,336
Intangibles (notes 4 and 6)	**1,789,018**	1,876,235
Goodwill (notes 5 and 6)	**664,958**	1,383,958
Deferred income tax assets	**53,668**	59,463
	3,970,882	4,672,299
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**451,682**	429,483
Current portion of bank debt (note 8)	**76,339**	76,339
Provisions (note 7)	**8,621**	10,331
Income taxes payable	**12,698**	—
Total current liabilities	**549,340**	516,153
Bank debt (note 8)	**1,429,750**	1,655,406
Other long-term liabilities (note 3)	**492,956**	278,117
Provisions (note 7)	**9,494**	7,686
Deferred income tax liabilities	**440,923**	472,700
Total liabilities	**2,922,463**	2,930,062
EQUITY		
Share capital (note 9)	**816,189**	830,477
Contributed surplus	**1,511,325**	1,512,818
Accumulated deficit	**(1,425,432)**	(758,757)
Accumulated other comprehensive income (deficit)	**(2,258)**	12,187
Total equity attributable to shareholders	**899,824**	1,596,725
Equity attributable to non-controlling interest	**148,595**	145,512
Total equity	**1,048,419**	1,742,237
	3,970,882	4,672,299

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended		Year ended	
	August 31,		August 31,	
(unaudited - in thousands of Canadian dollars, except per share amounts)	**2020**	2019	**2020**	2019
Revenues	**318,396**	377,479	**1,511,236**	1,687,482
Direct cost of sales, general and administrative expenses (note 10)	**223,894**	267,703	**1,005,397**	1,102,397
Depreciation and amortization (note 3)	**38,798**	37,326	**158,549**	182,354
Interest expense (note 11)	**27,201**	26,313	**115,185**	117,718
Broadcast licenses and goodwill impairment (note 6)	**—**	—	**786,790**	—
Gain on debt modification (note 8)	**—**	—	**—**	(3,889)
Integration, restructuring and other costs (note 7)	**3,961**	6,779	**19,155**	26,316
Other expense (income), net (note 12)	**(21,713)**	(1,455)	**(8,077)**	10,474
Income (loss) before income taxes	**46,255**	40,813	**(565,763)**	252,112
Income tax expense (note 13)	**12,465**	12,287	**41,944**	71,445
Net income (loss) for the period	**33,790**	28,526	**(607,707)**	180,667
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income (loss):				
Unrealized change in fair value of cash flow hedges	**2,405**	(3,887)	**(15,466)**	(31,538)
Unrealized foreign currency translation adjustment	**(921)**	(206)	**(87)**	309
	1,484	(4,093)	**(15,553)**	(31,229)
Items that will not be reclassified to income (loss):				
Unrealized change in fair value of financial assets	**2,001**	(801)	**1,108**	(2,440)
Actuarial gain (loss) on post-retirement benefit plans	**(5,164)**	1,647	**8,871**	(9,295)
	(3,163)	846	**9,979**	(11,735)
Other comprehensive loss, net of income taxes	**(1,679)**	(3,247)	**(5,574)**	(42,964)
Comprehensive income (loss) for the period	**32,111**	25,279	**(613,281)**	137,703
Net income (loss) attributable to:				
Shareholders	**30,278**	22,947	**(625,362)**	156,084
Non-controlling interest	**3,512**	5,579	**17,655**	24,583
	33,790	28,526	**(607,707)**	180,667
Comprehensive income (loss) attributable to:				
Shareholders	**28,599**	19,700	**(630,936)**	113,120
Non-controlling interest	**3,512**	5,579	**17,655**	24,583
	32,111	25,279	**(613,281)**	137,703
Earnings (loss) per share attributable to shareholders:				
Basic	**$0.15**	$0.11	**($2.98)**	$0.74
Diluted	**$0.15**	$0.11	**($2.98)**	$0.74

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 (loss)	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)	—	—	(625,362)	(5,574)	(630,936)	17,655	(613,281)
Dividends declared	—	—	(50,184)	—	(50,184)	(19,983)	(70,167)
Shares repurchased under normal course issuer bid ("NCIB") (note 9)	(14,288)	(2,605)	—	—	(16,893)	—	(16,893)
Actuarial gain on post-retirement benefit plans	—	—	8,871	(8,871)	—	—	—
Share-based compensation expense	—	1,112	—	—	1,112	—	1,112
Equity funding by a non-controlling interest	—	—	—	—	—	5,411	5,411
As at August 31, 2020	**816,189**	**1,511,325**	**(1,425,432)**	**(2,258)**	**899,824**	**148,595**	**1,048,419**

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income (loss)	—	—	156,084	(42,964)	113,120	24,583	137,703
Dividends declared	—	—	(50,863)	—	(50,863)	(28,366)	(79,229)
Reduction of stated capital	(1,500,000)	1,500,000	—	—	—	—	—
Actuarial loss on post-retirement benefit plans	—	—	(9,295)	9,295	—	—	—
Share-based compensation expense	—	699	—	—	699	—	699
Divestiture of subsidiary with a non-controlling equity interest	—	—	—	—	—	(5,120)	(5,120)
As at August 31, 2019	830,477	1,512,818	(758,757)	12,187	1,596,725	145,512	1,742,237

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended August 31, 2020	Three months ended August 31, 2019	Year ended August 31, 2020	Year ended August 31, 2019
OPERATING ACTIVITIES				
Net income (loss) for the period	**33,790**	28,526	**(607,707)**	180,667
Adjustments to reconcile net income (loss) to cash flow from operations:				
Amortization of program rights	**109,590**	122,301	**495,814**	516,431
Amortization of film investments	**5,649**	3,591	**20,063**	16,035
Depreciation and amortization (note 3)	**38,798**	37,326	**158,549**	182,354
Deferred income tax expense	**3,615**	8,960	**(23,992)**	(10,166)
Broadcast licenses and goodwill impairment	**—**	—	**786,790**	—
Gain on debt modification	**—**	—	**—**	(3,889)
Impairment of investment in associate	**—**	—	**—**	8,720
Share-based compensation expense (note 11)	**260**	214	**1,112**	699
Imputed interest (note 8)	**12,569**	9,219	**52,371**	41,209
Payment of program rights	**(142,290)**	(143,886)	**(547,486)**	(537,954)
Net spend on film investments	**2,829**	(1,797)	**(43,178)**	(45,029)
CRTC benefit payments	**(1,403)**	(1,338)	**(2,448)**	(2,561)
Other	**4,103**	780	**(1,658)**	(5,921)
Cash flow from operations	**67,510**	63,896	**288,230**	340,595
Net change in non-cash working capital balances related to operations	**26,688**	51,143	**25,042**	2,958
Cash provided by operating activities	**94,198**	115,039	**313,272**	343,553
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(5,294)**	(18,477)	**(15,385)**	(30,055)
Proceeds from sale of property	**26**	—	**314**	—
Business divestiture, net of divested cash	**—**	—	**—**	12,529
Business acquisition	**—**	—	**—**	(6,011)
Net cash flows for intangibles, investments and other assets	**(1,727)**	(3,008)	**(3,934)**	(6,678)
Cash used in investing activities	**(6,995)**	(21,485)	**(19,005)**	(30,215)
FINANCING ACTIVITIES				
Decrease in bank loans	**(98,854)**	(59,976)	**(229,514)**	(249,949)
Deferred financing costs	**—**	(98)	**—**	(3,440)
Shares repurchased under NCIB	**—**	—	**(16,893)**	—
Payments of lease liabilities	**(3,840)**	—	**(15,945)**	—
Equity funding by a non-controlling interest	**—**	—	**5,411**	—
Dividends paid	**(12,498)**	(12,718)	**(50,399)**	(38,150)
Dividends paid to non-controlling interest	**(5,315)**	(6,957)	**(19,983)**	(30,365)
Other	**(428)**	(458)	**(3,612)**	(3,667)
Cash used in financing activities	**(120,935)**	(80,207)	**(330,935)**	(325,571)
Net change in cash and cash equivalents during the period	**(33,732)**	13,347	**(36,668)**	(12,233)
Cash and cash equivalents, beginning of the period	**79,632**	69,221	**82,568**	94,801
Cash and cash equivalents, end of the period	**45,900**	82,568	**45,900**	82,568

Supplemental cash flow disclosures (note 15)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2020
(in thousands of Canadian dollars, except per share information)

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International 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, 2019, 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, 2019, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three months and year ended August 31, 2020 were authorized for issue in accordance with a resolution of the Company's Board of Directors on October 21, 2020.

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 Company continues to closely monitor the evolution of the novel coronavirus ("COVID-19") situation. As the COVID-19 pandemic continues to significantly impact the wellbeing of individuals and the Canadian and global economies, the Company has implemented a specific response plan, informed by measures recommended by public health agencies, to continue providing its essential services and support to customers while safeguarding the health and safety of employees. Appropriate business continuity measures have been taken to ensure uninterrupted service of the Company's television, digital and radio operations.

It is too soon to gauge the medium to long-term impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration, severity and possible resurgence of the outbreak as emergency measures are eased. 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 our 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.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2020

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2019.

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

IFRS 16 – Leases ("IFRS 16")

Effective September 1, 2019, the Company adopted IFRS 16, which supersedes previous accounting standards for leases, including IAS 17 – *Leases* ("IAS 17") and International Financial Reporting Interpretations Committee 4 – *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The new standard eliminates the distinction between operating and finance leases. Lessor accounting is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where Corus is the lessor.

The Company has adopted IFRS 16 on a modified retrospective basis, subject to permitted and elected practical expedients. Comparative information has not been restated and continues to be reported under IAS 17.

When applying IFRS 16, the Company has applied the following practical expedients:

- maintained the Company's lease assessments made under IAS 17 and IFRIC 4 for existing contracts;
- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- used hindsight in determining the lease term where the contract contains purchase, extension or termination options; and
- relied upon the Company's assessment of whether leases are onerous under the requirements of IAS 37 – *Provisions*, *Contingent Liabilities and Contingent Assets* as at August 31, 2019 as an alternative to reviewing the Company's right-of-use assets for impairment.

On transition, the Company has elected the recognition exemptions on short-term leases, with lease terms less than 12 months, or low-value leases; however, the Company may choose to not elect the recognition exemptions on a class-by-class basis for new classes, and lease-by-lease basis, respectively, in the future.

Upon adoption of IFRS 16 on September 1, 2019, the Company recognized right-of-use lease assets within property, plant and equipment of $138.4 million and lease liabilities within other long-term liabilities of $157.8 million. The difference between the right-of-use asset and associated liability of $18.6 million relates to accrued rents, which arose under IAS 17. For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of the remaining lease payments discounted at the related incremental borrowing rate as at September 1, 2019. The weighted average borrowing rate applied was 4.7%. The right-of-use asset at transition has been measured at an amount equal to the lease liabilities less previously accrued rent relating to the leases.

Set out below is the Company's new accounting policy upon adoption of IFRS 16, which has been applied from the date of initial application.

The Company assesses whether a contract is or contains a lease at the inception of the contract. The Company recognizes a lease liability with a corresponding right-of-use asset for all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing its carrying amount to reflect accretion on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The Company applies IAS 36 – *Impairment of Assets*, to determine whether the asset is impaired and account for any identified impairment loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and lease of low value assets are recognized as general and administrative expenses in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

After transition, right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date of any initial direct costs. They are subsequently depreciated on a straight-line basis over their expected useful lives and reduced by impairment losses. Right-of-use assets are tested for impairment if indicators of impairment exist.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

Right-of-use assets are included in property, plant and equipment on the interim condensed consolidated statements of financial position. The current portion of lease liabilities are included in accounts payable and accrued liabilities on the interim condensed consolidated statements of financial position, while the long-term portion is included in other long-term liabilities.

IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRIC 23")

Effective September 1, 2019, the Company adopted IFRIC 23, which clarifies how to apply the recognition and measurement requirements of IAS 12 – *Income Taxes* for taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates to determine current or deferred tax asset or liability when there is uncertainty over income tax treatments. There was no impact to the interim condensed consolidated financial statements as a result of adopting this standard.

PENDING ACCOUNTING CHANGES

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.

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

4. INTANGIBLES

	Broadcast licenses [1]	Brands and trade marks	Other [2]	Total
Balance – August 31, 2019	963,773	899,920	12,542	1,876,235
Additions	—	83,419	10,858	94,277
Impairments (note 6)	(67,790)	—	—	(67,790)
Amortization	—	(103,827)	(9,877)	(113,704)
Balance – August 31, 2020	**895,983**	**879,512**	**13,523**	**1,789,018**

[1] Broadcast licenses are located in Canada.

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

5. GOODWILL

	Total
Balance - August 31, 2019	1,383,958
Impairments (note 6)	(719,000)
Balance - August 31, 2020	**664,958**

Goodwill is located primarily in Canada.

6. IMPAIRMENT TESTING

At each reporting date, the Company is required to assess its indefinite life intangible assets and goodwill for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or cash generating unit ("CGU") and compares it to the carrying value. In addition, irrespective of whether there is any indication of impairment, the Company is required to test intangible assets with an indefinite useful life and goodwill for impairment at least annually.

For long-lived assets other than goodwill, the Company is also required to assess, at each reporting date, whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

The Company completes its annual testing during the fourth quarter of each fiscal year; however, in the third quarter of fiscal 2020, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2019, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio group of CGUs. In addition, the pervasive economic impact of COVID-19 on Radio revenues meant that certain Radio markets had actual results and revised financial projections that fell short of previous estimates, indicating that interim broadcast license impairment testing was also required.

The test for impairment of either an intangible asset or goodwill is to compare the estimated recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as broadcast licenses and goodwill) and the asset's VIU cannot be determined to equal its FVLCS. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

For the goodwill and broadcast license impairment tests conducted in the third quarter of fiscal 2020 for the Television and Radio CGUs, the Company has determined the VIU calculation is higher than FVLCS. Therefore, the recoverable amount for all CGUs or groups of CGUs is based on the VIU.

The VIU calculation uses cash flow projections, generally for a five-year period, and a terminal value. The terminal value is the value attributed to the CGU's operations beyond the projected period using a perpetual growth rate. The key assumptions in the VIU calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value) and discount rates.

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

Segment profit growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Company's CGUs to which the individual assets are allocated and are based on the Company's most recent financial projections. The terminal growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

The discount rate applied to each asset, CGU or group of CGUs to determine VIU is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's cash flow projections.

In calculating the VIU, the Company uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs.

The pre-tax discount and growth rates used by the Company for the purpose of its VIU calculations performed for each of the following groups of CGUs in the third quarter of fiscal 2020 were:

	August 31, 2020
Television	
Pre-tax discount rate	**12.0% — 13.0%**
Earnings growth rate	**-1.7% — 8.7%**
Terminal growth rate	**0.0% — 1.0%**
Radio	
Pre-tax discount rate	**14.0% — 16.0%**
Earnings growth rate	**3.7% — 31.4%**
Terminal growth rate	**0.0% — 1.0%**

As a result of the broadcast license impairment testing in the third quarter of fiscal 2020 of certain Radio CGUs, the Company determined that there were broadcast license impairments in four Radio CGUs in Ontario and two in Alberta. For each of the Radio CGUs, the Company used VIU to determine the recoverable amount, which resulted in an impairment charge of $67.8 million that reduced the carrying value of broadcast licenses within these CGUs to their recoverable amount.

As a result of the goodwill impairment testing in the third quarter of fiscal 2020, the Company recorded a goodwill impairment charge of $673.0 million in the Television segment and $46.0 million in the Radio segment.

The Company has completed its annual impairment testing of goodwill and intangible assets for fiscal 2020. There were no impairment losses to be recorded as a result of the testing. The Company also assessed for any indicators of whether previous impairment losses had decreased. No previously recorded impairment losses on broadcast licenses were reversed.

Sensitivity to changes in assumptions

Due to the uncertainty related to COVID-19, the Company has noted there is significant estimation uncertainty related to the Company's growth rates and future cash flow estimates, which could change in the near term and the effect of such changes could be material. An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the earnings growth rate each year, or a decrease of 50 basis points in the terminal growth rate, each used in isolation to perform the Radio broadcast license and both the Television and Radio goodwill impairment tests, would have resulted in no additional incremental goodwill impairment charge or broadcast license impairment charge.

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

The carrying amount of broadcast licenses and goodwill allocated to each CGU and/or group of CGUs are set out in the following tables:

	August 31, 2020	August 31, 2019
Broadcast licenses (note 4)		
Televison	**852,905**	852,905
Radio		
Calgary	**—**	31,341
Edmonton	**—**	21,851
Toronto	**21,775**	21,775
Vancouver	**21,303**	21,303
Other [1]	**—**	14,598
	895,983	963,773

	August 31, 2020	August 31, 2019
Goodwill (note 5)		
Television	**643,859**	1,316,859
Radio	**21,099**	67,099
	664,958	1,383,958

[1] Broadcast licenses for Other consist of all other Radio CGUs combined. There was no individual Radio CGU that comprised more than 10% of the Company's broadcast license total.

7. PROVISIONS

	Restructuring	Asset retirement obligations	Other	Total
Balance – August 31, 2019	7,754	10,083	180	18,017
Additions	19,155	1,381	—	20,536
Interest	—	216	—	216
Payments	(20,167)	(487)	—	(20,654)
Balance – August 31, 2020	**6,742**	**11,193**	**180**	**18,115**
Current	5,405	3,036	180	8,621
Long-term	1,337	8,157	—	9,494
Balance – August 31, 2020	**6,742**	**11,193**	**180**	**18,115**

For the year ended August 31, 2020, the Company recorded restructuring costs of $19.2 million comprised of employee exits of $7.6 million, a write-off of program rights of $3.8 million related to the shut-down of the FYI channel, system integration costs of $6.6 million, and additional asset retirement obligations of $1.2 million for broadcast tower sites.

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

8. BANK DEBT

	August 31, 2020	August 31, 2019
Bank loans	**1,516,159**	1,745,175
Unamortized financing fees	**(10,070)**	(13,430)
	1,506,089	1,731,745
Less: current portion of bank loans	**(76,339)**	(76,339)
	1,429,750	1,655,406

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2020, the weighted average interest rate on outstanding bank loans was 3.9% (August 31, 2019 – 4.2%). Interest on the bank loans averaged 3.9% and 4.0% for the three months and year ended August 31, 2020, respectively (August 31, 2019 – 4.1% and 4.3%, in the same 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 August 31, 2020.

CREDIT FACILITIES

In connection with the closing of the acquisition of Shaw Media, 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 (loss) and comprehensive income (loss).

Term Facility

As at August 31, 2020, the Term Facility was composed of three tranches, with the first tranche in the amount of $606.7 million and having a maturity date of May 31, 2024, the second tranche in the amount of $824.7 million and having a maturity date of May 31, 2023, and the third tranche in the amount of $97.3 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 August 31, 2020, 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 value of the interest rate swap agreements are $906.0 million and $503.0 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 (loss). The estimated fair value of these agreements as at August 31, 2020 is $26.3 million (August 31, 2019 – $11.6 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.

TOTAL RETURN SWAPS

The Company initiated total return swap agreements on 1,868,500 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 August 31, 2020 was a liability of $3.3 million (August 31, 2019 – asset of $0.3 million), which has been recorded in the interim condensed consolidated statements of financial position as an other long-term liability and within employee costs in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) (note 10).

FORWARD CONTRACTS

As at August 31, 2020, the Company has a series of forward foreign exchange contracts totalling $48.3 million USD, to fix the foreign exchange rate and cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flow of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at August 31, 2020 was an asset of $3.1 million (August 31, 2019 – $6.0 million), which has been recorded in the interim condensed consolidated statements of financial position as a long-term other asset and within other expense (income), net (note 12) in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

9. 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, 2019	3,413,192	9,441	208,583,866	821,036	830,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(800)	(2)	800	2	—
Shares repurchased under NCIB	—	—	(3,630,000)	(14,288)	(14,288)
Balance – August 31, 2020	**3,412,392**	**9,439**	**204,954,666**	**806,750**	**816,189**

EARNINGS (LOSS) PER SHARE

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

	Three months ended August 31,		Year ended August 31,	
	2020	2019	**2020**	2019
Net income (loss) attributable to shareholders (numerator)	**30,278**	22,947	**(625,362)**	156,084
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**208,367**	211,997	**209,769**	211,997
Effect of dilutive securities	**—**	76	**—**	38
Weighted average number of shares outstanding – diluted	**208,367**	212,073	**209,769**	212,035

The calculation of diluted earnings (loss) per share for the three months and year ended August 31, 2020 excluded 6,679 and 6,753, respectively (2019 – 4,813 and 5,235, 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 October 21, 2020, the Company declared quarterly dividends of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.

On October 21, 2021, 1,315,700 stock options were granted at a weighted average exercise price of $2.95.

SHARE-BASED COMPENSATION

Share-based compensation expense recorded for the fourth quarter and fiscal 2020 in respect of these plans was $1,217 and $4,269 (2019 – $1,636 and $5,347). As at August 31, 2020, the carrying value of the liability for PSU, DSU and RSU units was $9,094 (August 31, 2019 – $10,086).

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

10. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Year ended	
		August 31,		**August 31,**
	2020	2019	**2020**	2019
Direct cost of sales				
Amortization of program rights	**109,590**	122,301	**495,814**	516,431
Amortization of film investments	**5,649**	3,591	**20,063**	16,035
Other cost of sales	**5,125**	10,229	**29,495**	34,808
General and administrative expenses				
Employee costs (note 7)	**66,741**	80,887	**281,177**	323,479
Other general and administrative	**36,789**	50,695	**178,848**	211,644
	223,894	267,703	**1,005,397**	1,102,397

11. INTEREST EXPENSE

	Three months ended		Year ended	
		August 31,		**August 31,**
	2020	2019	**2020**	2019
Interest on long-term debt (note 8)	**15,774**	18,391	**67,477**	82,288
Imputed interest on long-term liabilities	**12,569**	9,219	**52,371**	41,209
Amortization of deferred gain on settled interest rate swap	**(1,512)**	(1,726)	**(6,393)**	(8,075)
Other	**370**	429	**1,730**	2,296
	27,201	26,313	**115,185**	117,718

12. OTHER EXPENSE (INCOME), NET

	Three months ended		Year ended	
		August 31,		**August 31,**
	2020	2019	**2020**	2019
Foreign exchange loss (income)	**(20,301)**	(2,190)	**(4,250)**	952
Equity loss (gain) of associates	**(2)**	(1)	**(7)**	923
Impairment of investment in associate	**—**	—	**—**	8,720
Other income (loss) (note 8)	**(1,410)**	736	**(3,820)**	(121)
	(21,713)	(1,455)	**(8,077)**	10,474

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

13. INCOME TAXES

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

				Year ended **August 31,**
		2020		2019
	$	**%**	$	%
Income tax at combined federal and provincial rates	**(150,302)**	**26.6%**	66,991	26.6%
Loss (income) subject to tax at less than statutory rates	**(355)**	**—%**	157	—%
Non-deductible (taxable) portion of capital losses (gains)	**183**	**—%**	1,744	0.7%
Impact of valuation allowance recorded against future income tax assets in the year	**(70)**	**—%**	645	0.3%
Goodwill impairment	**191,012**	**(33.8%)**	—	—%
Transaction costs	**(223)**	**—%**	215	0.1%
Increase of various tax reserves	**240**	**—%**	364	0.1%
Increase in deferred taxes from statutory rate changes	**—**	**—%**	184	—%
Miscellaneous differences	**1,459**	**(0.2%)**	1,145	0.5%
	41,944	**(7.4%)**	71,445	28.3%

14. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 34 specialty television networks (35 services prior to December 31, 2019; 37 services prior to September 30, 2019; 44 services prior to March 22, 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.

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

REVENUES AND SEGMENT PROFIT (LOSS)

Three months ended August 31, 2020	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**299,122**	**19,274**	**—**	**318,396**
Direct cost of sales, general and administrative expenses	**200,335**	**18,079**	**5,480**	**223,894**
Segment profit (loss)	**98,787**	**1,195**	**(5,480)**	**94,502**
Depreciation and amortization				**38,798**
Interest expense				**27,201**
Integration, restructuring and other costs				**3,961**
Other income, net				**(21,713)**
Income before income taxes				**46,255**

Three months ended August 31, 2019	Television	Radio	Corporate	Consolidated
Revenues	343,755	33,724	—	377,479
Direct cost of sales, general and administrative expenses	235,143	26,813	5,747	267,703
Segment profit (loss)	108,612	6,911	(5,747)	109,776
Depreciation and amortization				37,326
Interest expense				26,313
Integration, restructuring and other costs				6,779
Other income, net				(1,455)
Income before income taxes				40,813

Year ended August 31, 2020	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenues	**1,408,238**	**102,998**	**—**	**1,511,236**
Direct cost of sales, general and administrative expenses	**899,523**	**86,975**	**18,899**	**1,005,397**
Segment profit (loss)	**508,715**	**16,023**	**(18,899)**	**505,839**
Depreciation and amortization				**158,549**
Interest expense				**115,185**
Broadcast licenses and goodwill impairment				**786,790**
Integration, restructuring and other costs				**19,155**
Other income, net				**(8,077)**
Loss before income taxes				**(565,763)**

Year ended August 31, 2019	Television	Radio	Corporate	Consolidated
Revenues	1,544,892	142,590	—	1,687,482
Direct cost of sales, general and administrative expenses	971,368	107,944	23,085	1,102,397
Segment profit (loss)	573,524	34,646	(23,085)	585,085
Depreciation and amortization				182,354
Interest expense				117,718
Gain on debt modification				(3,889)
Integration, restructuring and other costs				26,316
Other expense, net				10,474
Income before income taxes				252,112

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

Revenues are derived from the following areas:

	Three months ended		Year ended	
		August 31,		**August 31,**
	2020	2019	**2020**	2019
Advertising	**164,718**	226,033	**920,849**	1,101,814
Subscriber fees	**122,066**	123,028	**490,985**	496,447
Merchandising, distribution and other	**31,612**	28,418	**99,402**	89,221
	318,396	377,479	**1,511,236**	1,687,482

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Year ended	
		August 31,		**August 31,**
	2020	2019	**2020**	2019
Interest paid	**16,196**	18,797	**69,257**	84,097
Interest received	**1,118**	735	**1,947**	1,926
Income taxes paid (recovered)	**(1,047)**	34,153	**33,491**	88,850

16. 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 2020 interim condensed consolidated financial statements.