Fourth Quarter 2019 Report to Shareholders

For the Three Months and Year Ended August 31, 2019
(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, 2019	2018	Year ended August 31, 2019	2018
Revenues				
Television	**343,755**	344,646	**1,544,892**	1,499,322
Radio	**33,724**	34,438	**142,590**	148,025
	377,479	379,084	**1,687,482**	1,647,347
Segment profit [1]				
Television	**108,612**	108,738	**573,524**	541,789
Radio	**6,911**	8,457	**34,646**	40,308
Corporate	**(5,747)**	(2,634)	**(23,085)**	(6,469)
	109,776	114,561	**585,085**	575,628
Net income (loss) attributable to shareholders	**22,947**	33,675	**156,084**	(784,509)
Adjusted net income attributable to shareholders [1][2]	**27,930**	39,534	**181,006**	238,411
Basic earnings (loss) per share	**$0.11**	$0.16	**$0.74**	($3.77)
Adjusted basic earnings per share [1][2]	**$0.13**	$0.19	**$0.85**	$1.14
Diluted earnings (loss) per share [2]	**$0.11**	$0.16	**$0.74**	($3.77)
Free cash flow [1]	**93,554**	95,966	**309,970**	349,007

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

[2] Net income attributable to shareholders as well as basic and diluted earnings per share for the three months and year ended August 31, 2019 was impacted by a change in accounting estimate related to the useful life of the Company's television brand assets. Commencing September 1, 2018, the useful life of television brand assets was changed from indefinite life to lives ranging from three to 20 years. For the three months and year ended August 31, 2019, this has resulted in an additional $16.7 million and $103.2 million, respectively, in amortization expense in the depreciation and amortization line within the Consolidated Statement of Income and Comprehensive Income, and reduced net income and comprehensive income attributable to shareholders, net of income taxes, by $12.3 million ($0.06 per share basic) and $75.9 million ($0.36 per share basic), respectively. Further discussion of this can be found in the Impact of New Accounting Policies and Changes in Estimates section of the Fourth Quarter 2019 Report to Shareholders.

HIGHLIGHTS IN THE QUARTER

- On June 3, 2019, the Company announced a new multi-channel television package STACKTV, featuring 12 of Corus' top-tier linear networks, as a part of Amazon Prime Video Channels' launch. Available for $12.99 per month to Amazon Prime members in Canada, STACKTV houses live and on-demand content from Global, Food Network Canada, HGTV Canada, W Network, HISTORY®, Adult Swim, Slice, Showcase, National Geographic, Teletoon, Treehouse and YTV. In addition, Corus announced Nickelodeon, a subscription video-on-demand (SVOD) channel, featuring a combination of live action, animation and the best of Nick Jr. programming. This new offering is available for $5.99 per month to Amazon Prime members in Canada.
- On June 3, 2019, the Company announced a new partnership with Complex Networks, a global media company with leading youth culture brands. Corus will serve as the exclusive ad sales partner for Complex Networks in Canada, license their content for use across linear and on demand platforms, jointly produce new original localized content and expand Complex's US event business to Canada. Corus also announced the extension of its partnership with Twitter, launching *Twitter Originals, fueled with so.da*, as well as the launch of *so.da originals*, a premium, short form social series to run across Corus' powerful portfolio of brands, across platforms; and the expansion of Kin Canada's offerings into a new male vertical.
- On June 5, 2019, the Company's Nelvana subsidiary announced a multi-faceted deal with global character brand, LINE FRIENDS to develop a kids animated television series (52 x 11-minutes) that will be globally distributed by Nelvana (excluding Korea, Taiwan, Russia and the Commonwealth of Independent States).
- On June 21, 2019, the Canadian government concluded its parliamentary session before Bill S-228, an Act to Amend the *Food and Drugs Act* (prohibiting food and beverage marketing directed at children), received Royal Assent. Under the rules of parliamentary procedure, Bill S-228 died on the Order Paper before becoming law. Any similar future legislation would need to be re-introduced as a new bill and begin at the first stage of the legislative process.
- On June 28, 2019, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.
- On July 26, 2019, the Company's Nelvana subsidiary was recognized at The Giffoni International Film Festival, with the Best Short Film Award and The "WOW" Award for its animated short film, *The Most Magnificent Thing*. On August 11, 2019, the film was also recognized at the Oceanside International Film Festival (OIFF) with the Grand Jury Best Animation Award.
- On August 23, 2019, the Company's Corus Studios subsidiary announced a global streaming deal with Netflix for Canadian-original series, *Rust Valley Restorers* (8x60), making it the first series from Corus Studios to stream worldwide on Netflix.
- On August 28, 2019, the Company announced the appointment of Pam Westman as President of Nelvana, effective September 3, 2019, following the retirement of Scott Dyer. As former Head of Nelvana Enterprises since 2016, Ms. Westman has been instrumental in expanding Nelvana's content slate and establishing the company as the premier licensing agent in Canada focused on character licensing.

HIGHLIGHTS SUBSEQUENT TO THE QUARTER

- On September 9, 2019, the Company's brands and people were recognized at the 2019 Canadian Country Music Association Awards for Edmonton's CISN Country 103.9 program *CISN in the Mornings with Chris, Jack & Matt,* which won On-air Personality of the Year – Large Market.
- On September 23, 2019, the Company announced its lead media partnership for the New Media Stage at the 2019 Elevate Tech Festival, featuring leading youth culture brands and major players in the new media space.
- On September 30, 2019, the Company paid a quarterly dividend of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.
- On October 8, 2019, the Company's Corus Studios subsidiary announced multiple international content sales for its original lifestyle and unscripted content ahead of MIPCOM, notably *Fire Masters* (20x60) was sold to the Cooking Channel in the U.S. and A+E Networks in the UK, and pre-broadcast sales of demolition show *Salvage Kings* (10x60) to A+E Networks in the UK + Ireland, Sweden, South Africa, Poland and Romania.
- On October 15, 2019, the Company's Nelvana subsidiary, Spin Master Ltd. and TMS Entertainment, announced multiple new international distribution deals for animated series *Bakugan: Battle Planet* (100x11).

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, 2019 is prepared at October 17, 2019. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2018 Annual Report and the interim condensed consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited interim condensed consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the fourth quarter of fiscal 2019 of $377.5 million were down slightly compared to $379.1 million in the prior year. On a consolidated basis, advertising revenues increased 3%, while subscriber revenues decreased 4% and merchandising, distribution and other revenues decreased 11% from the prior year. In the fourth quarter, revenues were flat in Television and decreased in Radio by 2%, compared to the prior year.

For the year ended August 31, 2019, consolidated revenues of $1,687.5 million increased 2% from $1,647.3 million in the prior year. On a consolidated basis, advertising revenues increased 6%, while subscriber revenues decreased 2% and merchandising, distribution and other revenues decreased by 7% from the prior year. For the year, revenue increased by 3% in Television and decreased 4% 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 2019 of $267.7 million increased 1% from $264.5 million in the prior year. On a consolidated basis, both employee costs and other general and administrative costs increased 3%, while direct cost of sales for the quarter were consistent with the prior year. The increase in employee costs was primarily due to an increase in share-based compensation expense and commissions, partially offset by lower short-term incentive accruals. The prior year share-based compensation expense was unusually low which resulted from a significant decline in the share price in fiscal 2018. Direct cost of sales were flat to the prior year, with increases in other cost of sales offset by decreases in amortization of film investments and programming. General and administrative expenses were higher, principally related to short-term incentive accruals and commissions.

For the year ended August 31, 2019, direct cost of sales, general and administrative expenses of $1,102.4 million increased 3% from $1,071.7 million in the prior year. On a consolidated basis, employee costs increased 6%, direct cost of sales increased 1% and other general and administrative expenses increased 2% from the prior year. The increase in employee costs was primarily due to an increase in share-based compensation expense, commissions and short-term incentive accruals. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the fourth quarter of fiscal 2019 was $109.8 million, which was down 4% from $114.6 million in the prior year. Segment profit margin for the fourth quarter of fiscal 2019 was 29%, a decrease from 30% in the prior year.

For the year ended August 31, 2019, consolidated segment profit was $585.1 million, which was up 2% from $575.6 million in the prior year. Segment profit margin of 35% for the year ended August 31, 2019 was consistent with the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months and year ended August 31, 2019 was $37.3 million and $182.4 million, respectively, an increase from $19.8 million and $81.9 million in the comparable periods in the prior year. The year-over-year increases for the three months and year of $17.5 million and $100.5 million, respectively, principally arise from the change in estimated useful lives of certain TV brand assets from indefinite life intangible assets to finite life intangible assets, effective September 1, 2018. As a result, amortization increased for the three months and year by approximately $16.7 million and $103.2 million, respectively, from the prior year, partially offset by decreases in depreciation on property, plant and equipment which reflects the reduced capital spending in fiscal 2018. Further discussion of the change in estimates of certain TV brand assets can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of this report.

INTEREST EXPENSE

Interest expense for the three months ended August 31, 2019 was $26.3 million, which was down from $31.0 million in the prior year. The decrease results primarily from lower interest on bank debt due to lower debt levels and lower interest rate margin resulting from reduced leverage.

Interest expense for the year ended August 31, 2019 was $117.7 million, down from $127.3 million in the prior year. The decrease results from lower interest on bank debt of $6.7 million, $0.8 million of amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, and lower imputed interest of $2.0 million on long-term liabilities associated with program rights and trademarks. 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, 2019 was 4.1% and 4.3%, respectively, compared to 4.5% and 4.3% in the same comparable periods in the prior year. The decrease in the effective rate of fiscal 2019 is due to a lower interest rate margin resulting from reduced leverage.

BROADCAST LICENSE 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 2018, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2017, 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 a non-cash goodwill impairment charge of $1.0 billion in the Television operating segment in the third quarter of fiscal 2018. No goodwill impairment was identified on the Radio operating segment group of CGUs.

In addition, certain Radio markets had actual results and revised financial projections that fell short of previous fiscal 2018 estimates, indicating that interim broadcast license impairment testing was required. As a result of these tests, the Company recorded non-cash broadcast license impairment charges of $13.7 million in the Radio segment in the third quarter of fiscal 2018.

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, 2019.

GAIN ON DEBT MODIFICATION

The gain on debt refinancing of $3.9 million for the year ended August 31, 2019 relates to the amendment of the Company's long-term credit facility agreements on May 31, 2019 (refer to note 9 of the interim condensed consolidated financial statements for further details).

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

For the three months and year ended August 31, 2019, the Company incurred $6.8 million and $26.3 million, respectively, of business acquisition, integration and restructuring costs, compared to $7.7 million and $17.1 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 onerous lease provision costs of $3.4 million for office space vacated in Vancouver, $2.6 million of costs to decommission certain transmitter sites, additional asset retirement obligations of $1.7 million for the former Shaw Media headquarters in Toronto, costs associated with the rebranding of the ACTION channel to the Adult Swim channel, and costs associated with the shut-down of the Cosmo and IFC channels. The prior year costs were attributable to restructuring costs associated with employee exits as well as costs associated with the denial by the Competition Bureau of the sale of Historia and Séries+, and the shutdown of the Sundance channel. These charges are excluded from the determination of segment profit.

OTHER EXPENSE (INCOME), NET

Other income for the three month period ended August 31, 2019 was $1.5 million, compared to an expense of $0.6 million in the prior year. The current year period includes foreign exchange gains of $2.2 million and miscellaneous other expenses of $0.7 million. The prior year period included a net foreign exchange loss of $1.3 million and equity losses from associates of $0.3 million, offset by income of $1.0 million from the settlement of certain regulatory fees.

Other expense for the year ended August 31, 2019 was $10.5 million compared to $5.7 million in the prior year. In the current 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, net of a $0.3 million loss on the disposition of Telelatino Network ("TLN"). The prior year includes a foreign exchange loss of $5.4 million, and equity losses from associates of $1.6 million, offset by income of $1.2 million from the settlement of certain regulatory fees and the benefit of miscellaneous interest and other income. For the year ended August 31, 2019, forward foreign exchange contracts resulted in unrealized foreign exchange gains of $3.5 million, which offset foreign exchange losses recorded related to period end revaluations of USD denominated long-term liabilities. The prior year includes a foreign exchange loss of $5.4 million and equity losses from associates of $1.6 million, offset by income of $1.2 million from the settlement of certain regulatory fees and the benefit of miscellaneous interest and other income.

INCOME TAX EXPENSE

The Company's effective income tax rates for the three months and year ended August 31, 2019 were 30.1% and 28.3%, respectively. The difference between the statutory rate and the effective tax rate 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. The effective income tax rates for the three months and year ended August 31, 2018 were 28.1% and (13.2%), respectively. The significant difference between the statutory rates and effective tax rates resulted from the impairment recorded on goodwill in the television operating segment in the third quarter of the prior year.

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

Net income attributable to shareholders for the fourth quarter of fiscal 2019 was $22.9 million ($0.11 per share basic), as compared to $33.7 million ($0.16 per share basic) in the prior year. Net income attributable to shareholders for the fourth quarter of fiscal 2019 includes business acquisition, integration and restructuring 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 quarter. Net income attributable to shareholders for the fourth quarter of fiscal 2018 includes business acquisition, integration and restructuring costs of $7.7 million ($0.03 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $39.5 million ($0.19 per share basic) in the prior year quarter.

Net income attributable to shareholders for the year ended August 31, 2019 was $156.1 million ($0.74 per share basic), as compared to a net loss attributable to shareholders of $784.5 million ($3.77 loss per share basic) in the prior year. Net income attributable to shareholders for fiscal 2019 includes business acquisition, integration and restructuring 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 current fiscal year. Net loss attributable to shareholders for the year ended August 31, 2018 includes broadcast license and goodwill impairment charges of $1.0 billion ($4.85 per share basic), and business acquisition, integration and restructuring costs of $17.1 million ($0.06 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of $238.4 million ($1.14 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for both the three months and year ended August 31, 2019 was 211,997,000, compared to 210,479,000 and 208,257,000, respectively, in the prior year for the comparable periods. The number of shares outstanding increased from the issuance of shares from treasury in the prior year under the Company's dividend reinvestment plan.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive loss for the three months ended August 31, 2019 was $3.2 million, compared to income of $7.2 million in the prior year. For the three months ended August 31, 2019, 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. In the prior year, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $7.4 million, and an unrealized gain on foreign currency translation adjustments of $0.1 million, offset by an unrealized loss on the fair value of cash flow hedges of $0.3 million.

Other comprehensive loss for the year ended August 31, 2019 was $43.0 million, compared to income of $25.1 million in the prior year. For the year ended August 31, 2019, 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. The prior year other comprehensive income includes an unrealized gain on the fair value of cash flow hedges of $12.9 million, an actuarial gain on the remeasurement of post-employment benefit plans of $11.6 million and an unrealized gain from foreign currency translation adjustments of $0.7 million, offset by an unrealized loss in the fair value of financial assets of $0.1 million.

TELEVISION

The Television segment is comprised of 35 specialty television services (37 services prior to September 30, 2019; 44 services prior to March 22, 2019; 45 services prior to February 28, 2018), 15 conventional television stations and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, a social digital agency, a social influencer network, and technology and media services.

FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
	August 31,		**August 31,**	
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Revenues				
Advertising	**194,275**	186,349	**966,983**	903,420
Subscriber fees	**123,028**	128,329	**496,447**	507,756
Merchandising, distribution and other	**26,452**	29,968	**81,462**	88,146
Total revenues	**343,755**	344,646	**1,544,892**	1,499,322
Expenses	**235,143**	235,908	**971,368**	957,533
Segment profit [1]	**108,612**	108,738	**573,524**	541,789
Segment profit margin[1]	**32%**	32%	**37%**	36%

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

Revenues in the fourth quarter of fiscal 2019 were consistent with the prior year as a result of a 4% increase in advertising revenues, offset by a 4% decrease in subscriber revenues and a 12% decrease in merchandising, distribution and other revenues. The increase in advertising revenues continued to be driven by improved yield from better inventory utilization and increased demand, on both Global and certain specialty channels, traction in advertising technology initiatives, growth in digital advertising, and a focus on direct-to-consumer businesses, but was partially offset by continued softness in the automotive category. The decrease in subscriber revenues was due to the divestiture of TLN, as well as retroactive adjustments that occurred upon renewal of large distribution agreements in the prior year. The decrease in merchandising, distribution and other revenues reflects lower production and distribution revenues from softer library sales and subscription video-on-demand licensing primarily due to a multi-year licensing agreement in fiscal 2018, partially offset by higher software, merchandising and publishing revenues than in the prior year.

For the year ended August 31, 2019, total revenues increased 3% as a result of a 7% increase in advertising revenues, partially offset by a 2% decrease in subscriber revenues and a decrease in merchandising, distribution and other revenues of 8%. The increase in advertising revenues was driven by improved yield from better inventory utilization and increased demand, partially offset by lower demand throughout the year in the automotive category. The decrease in subscriber revenues is attributable to the divestiture of TLN in the current year, the shut-down of the Sundance Channel in the second quarter of the prior year, and retroactive adjustments that occurred upon renewal of large distribution agreements in the prior year. Merchandising, distribution and other revenues decreased from the prior year as a result of lower subscription video-on-demand licensing and royalties, partially offset by higher software, merchandising and publishing revenues.

Expenses in the fourth quarter of fiscal 2019 were flat to the prior year. Both direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) and general and administrative expenses were consistent with the prior year. Increases in amortization of program rights from higher Canadian programming costs and new programming output deals were offset by reduced Global foreign programming costs. Film amortization decreased principally from accruals related to owned-content back-end participation payments at Nelvana, offset by increased production activity in the quarter. The increase in other cost of sales is principally driven by increased costs associated with certain sales initiatives. General and administrative expenses were relatively flat to the prior year as a result of higher commissions, marketing costs, and copyright fees, offset by lower short-term variable compensation incentives, as well as decreased rent costs.

Total expenses for the year ended August 31, 2019 were up 1% from the prior year. Direct cost of sales increased 1% while general and administrative expenses increased 2%. The increase in direct cost of sales is principally driven by increased costs associated with certain sales initiatives, while amortization of program rights remained consistent with the prior year, with increased Canadian costs offsetting reduced foreign programming costs on Specialty services. The increase in general and administrative costs is attributable to increases related to commissions, pension costs, marketing costs, copyright fees, and short-term variable compensation incentives, offset by lower transmission and distribution costs, repairs and maintenance costs, as well as rent and utility costs associated with the shut-down of 44 over-the-air Global transmitter sites.

Segment profit[(1)] was flat for the fourth quarter of fiscal 2019 and increased 6% in the year, principally as a result of increases in advertising revenues exceeding increases in expenses. Segment profit margin[(1)] for the quarter and year was 32% and 37%, respectively, compared to 32% and 36%, for the comparable periods in the prior year.

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

RADIO

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

FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
		August 31,		**August 31,**
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Revenues	**33,724**	34,438	**142,590**	148,025
Expenses	**26,813**	25,981	**107,944**	107,717
Segment profit[(1)]	**6,911**	8,457	**34,646**	40,308
Segment profit margin[(1)]	**20%**	25%	**24%**	27%

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

Revenues decreased 2% in the fourth quarter and 4% in fiscal 2019. The decline in advertising revenues in the quarter and year was driven primarily by the continued lower demand from the automotive category, as well as a decline in the fourth quarter in the retail category, which was partially offset by improvements in the entertainment category. The decline in advertising revenues is also attributable to the ongoing economic pressures in Alberta and ratings challenges in those markets, as well as Toronto.

Direct cost of sales, and general and administrative expenses were up 3% in the fourth quarter of fiscal 2019 principally as a result of timing of expenses, but flat for the year, reflecting a continued focus on cost containment and synergies with Global News.

Radio's segment profit[(1)] was down $1.5 million in the fourth quarter of fiscal 2019 and $5.7 million for the year. Segment profit margin[(1)] for the quarter and year was 20% and 24%, respectively, compared to 25% and 27% for the comparable periods in the prior year.

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

CORPORATE

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

FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
		August 31,		**August 31,**
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Share-based compensation	**1,636**	(1,764)	**5,347**	(7,818)
Other general and administrative costs	**4,111**	4,398	**17,738**	14,287
	5,747	2,634	**23,085**	6,469

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

The increase in share-based compensation expense in the fourth quarter and year ended August 31, 2019 is due to the improvement in the Company's share price from August 31, 2018, partially offset by the change in the fair value of the total return swaps (refer to *Liquidity and Capital Resources* section of this report for further details on this swap arrangement). The prior year included expense recoveries in the fourth quarter and year of approximately $1.8 million and $7.8 million, respectively, resulting from a significant decline in the share price from August 31, 2017 to August 31, 2018.

Other general and administrative costs in the fourth quarter of fiscal 2019 were lower than the prior year, as a result of lower short-term variable compensation incentive accruals. Other general and administrative costs for fiscal 2019 were higher compared to the prior year, principally related to Directors fees for those Directors that have elected to receive their remuneration in DSUs, which are revalued at the Company's closing share price at the end of each period, as well as short-term variable compensation incentive accruals due to higher achievement against performance targets in the current year.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

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

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2019. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2018, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

					Earnings (loss) per share		
	Revenues	Segment profit [1]	Net income (loss) attributable to shareholders [1]	Adjusted net income attributable to shareholders [1]	Basic	Diluted	Adjusted basic
2019							
4th quarter	**377,479**	**109,776**	**22,947**	**27,930**	**$ 0.11**	**$ 0.11**	**$ 0.13**
3rd quarter	458,417	170,523	66,378	66,077	$ 0.31	$ 0.31	$ 0.31
2nd quarter	384,115	113,148	6,344	15,733	$ 0.03	$ 0.03	$ 0.07
1st quarter	467,471	191,638	60,415	70,111	$ 0.28	$ 0.28	$ 0.33
2018							
4th quarter	379,084	114,561	33,675	39,534	$ 0.16	$ 0.16	$ 0.19
3rd quarter	441,410	170,421	(935,899)	78,112	$ (4.49)	$ (4.49)	$ 0.37
2nd quarter	369,465	112,759	40,042	41,880	$ 0.19	$ 0.19	$ 0.20
1st quarter	457,388	177,887	77,673	78,885	$ 0.38	$ 0.38	$ 0.38

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

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- 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 business acquisition, integration and restructuring 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), business acquisition, integration and restructuring 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), business acquisition, integration and restructuring 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 business acquisition, integration and restructuring costs of $13.2 million ($0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $7.7 million ($0.03 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2018 was negatively impacted by non-cash radio broadcast licence and television goodwill impairment charges of $1,013.7 million ($4.84 per share) and business acquisition, integration and restructuring costs of $5.3 million ($0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $2.5 million ($0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of $1.6 million ($nil per share).

FINANCIAL POSITION

Total assets at August 31, 2019 were $4.7 billion compared to $4.9 billion at August 31, 2018. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2018.

On March 22, 2019, the Company sold its 50.5% interest in TLN. In accordance with IFRS 10 - *Consolidated Financial Statements*, as of the disposition date, the carrying amounts associated with TLN have been removed from the statement of financial position and have been factored into the loss on disposal in these condensed consolidated financial statements. In addition, an adjustment has been made to remove the carrying amount of the non-controlling interest related to TLN in these interim condensed consolidated financial statements (refer to note 17 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2019 for further discussion).

Current assets at August 31, 2019 were $488.7 million, down $18.9 million from August 31, 2018.

Cash and cash equivalents decreased by $12.2 million from August 31, 2018. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased $15.9 million from August 31, 2018. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased $7.0 million from August 31, 2018 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased $30.5 million from August 31, 2018, primarily as a result of the unrealized value related to interest rate swaps now being in a net liability position, an impairment charge related to an investment in associates and equity losses from associates, a reduction in the net asset position of certain post employment benefit plans, offset by unrealized net gains related to the fair value remeasurement of investments in venture funds and unrealized gains related to forward foreign exchange contracts. The increases to investments in venture funds relate primarily to the initial implementation of IFRS 9 - *Financial Instruments,* which was implemented on September 1, 2018. Further discussion of this can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Property, plant and equipment decreased $5.3 million from August 31, 2018 as a result of depreciation expense exceeding additions.

Program rights decreased $30.4 million from August 31, 2018, as additions of acquired rights of $492.8 million were offset by amortization of $516.4 million, reductions of $1.8 million associated with the shutdown of the Cosmo and IFC channels and $5.0 million related to the disposition of TLN.

Film investments increased $9.9 million from August 31, 2018, as film additions (net of tax credit accruals) of $25.9 million were offset by film amortization of $16.0 million.

Intangibles decreased $135.9 million from August 31, 2018, primarily as a result of a change in estimated useful lives of certain TV brand assets from indefinite life to finite life effective September 1, 2018, which resulted in amortization of finite life intangibles exceeding additions, as well as the disposition of TLN, offset by additions related to trade mark licences, and KIN Canada intangibles acquired. Further discussion of the change in estimated useful lives can be found in the *Impact of New Accounting Policies and Change in Estimates* section of this report.

Goodwill decreased $3.7 million from August 31, 2018, primarily as a result of the disposition of TLN.

Accounts payable and accrued liabilities increased $23.7 million from August 31, 2018, as a result of higher accrued dividends payable, trade marks, film production, and other accrued liabilities. The increase in other accrued liabilities relates primarily to increases in accounts payable, short-term compensation accruals, and capital asset purchases, offset by other working capital accruals, decreases to tangible benefits, and lower CRTC fees.

Provisions, including the long-term portion, at August 31, 2019 were $18.0 million compared to $19.0 million at August 31, 2018. The decrease of $1.0 million from August 31, 2018 is primarily a result of restructuring related payments, offset by additional provisions for onerous lease obligations of $6.0 million for office space vacated in Vancouver and decommissioned broadcast tower sites, as well as additional asset retirement obligations of $1.7 million for the former Shaw Media headquarters in Toronto.

Long-term debt, including the current portion, as at August 31, 2019 was $1,731.7 million compared to $1,983.9 million as at August 31, 2018. As at August 31, 2019, the $76.3 million classified as the current portion of long-term debt reflects the mandatory repayments on the debt in the next 12 months. During the year ended August 31, 2019, the Company repaid bank loans of $249.9 million and amortized $5.0 million of deferred financing charges.

Other long-term liabilities decreased $17.1 million from August 31, 2018, primarily from decreases in trade marks payable, long-term program rights payable, the long-term portion of tangible benefits, unearned revenues, and finance lease accruals, offset by adjustments to the fair value of interest rate swap derivatives and long-term employee obligations.

Share capital decreased by $1.5 billion from August 31, 2018 as a result of the reduction in stated capital approved at the Company's Annual and Special Meeting of Shareholders on January 16, 2019. Contributed surplus increased predominantly from this reduction in stated capital.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by $13.3 million in the fourth quarter of fiscal 2019 and decreased $12.2 million in the year ended August 31, 2019. Free cash flow for the fourth quarter and year decreased to $93.6 million and $310.0 million, respectively, from $96.0 million and $349.0 million, respectively, in the comparable periods in the prior year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section.

Cash flow provided by operating activities for the three months and year ended August 31, 2019 was $115.0 million and $343.6 million, respectively, compared to $105.8 million and $370.9 million in the comparable periods in the prior year. The increase in the current quarter of $9.3 million arises principally from higher cash flow from operations of $7.0 million and higher cash provided by working capital of $2.2 million. The decrease in the fiscal year of cash provided by operating activities of $27.4 million arises from lower cash flow from operations as the prior year included proceeds of $24.6 million from the termination of interest rate swap agreements, higher spend in program rights of $24.8 million and film investments of $11.3 million, offset by lower cash used in working capital of $31.5 million.

Cash used by investing activities for the three months and year ended August 31, 2019 was $21.5 million and $30.2 million, respectively, compared to $11.4 million and $25.6 million in the comparable periods in the prior year. In the current year, the Company had additions of property, plant, equipment and software intangibles of $30.1 million, paid $6.0 million for the acquisition of certain KIN Canada assets, and had net cash outflows of $6.7 million for intangibles, investments and other assets, offset by the proceeds from disposal of TLN, net of divested cash and prepaid revenue for certain service arrangements of $12.5 million. The prior year includes additions to property, plant and equipment of $16.1 million, offset by proceeds of $0.8 million on disposal of redundant land, and net cash outflows for intangibles, investments and other assets of $10.3 million.

Cash used in financing activities in the three months and year ended August 31, 2019 was $80.2 million and $325.6 million, respectively, compared to $85.3 million and $344.2 million in the comparable periods in the prior year. In the current year, the Company repaid bank debt of $249.9 million, paid financing costs of $3.4 million to amend credit facilities, paid dividends of $68.5 million, and made capital lease payments of $3.7 million. In the prior year, the Company repaid bank debt of $108.6 million, paid financing costs of $4.1 million to amend the credit facilities, paid dividends of $227.6 million, and made capital lease payments of $4.0 million.

LIQUIDITY

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

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

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. As at August 31, 2019, the Company's leverage ratio was 2.82 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company met its target of deleveraging below 3.0 times net debt to segment profit as at May 31, 2019, which has improved the Company's financial flexibility.

As at August 31, 2019, the Company had a net cash balance of $82.6 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

For further details on the credit facilities, as amended on May 31, 2019, refer to note 9 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at August 31, 2019, total capitalization was $3,391.4 million compared to $3,565.9 million at August 31, 2018, a decrease of $174.5 million. The decrease is primarily attributable to the decrease in the accumulated deficit and a decrease in cash of $12.2 million, offset by lower net debt resulting from the repayment of debt of $249.9 million during the year.

DERIVATIVE FINANCIAL INSTRUMENTS

On November 28, 2017, the Company terminated the interest rate swap agreements that fixed the interest rate on $1,871.0 million of its outstanding term loan facilities. As a result, the Company received $24.6 million, net of interest, in cash upon settlement of these swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income (loss) and is being amortized as non-cash interest income (note 12).

On November 28, 2017, the Company entered into interest rate swap agreements to fix the interest rate on $1,701.0 million of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements as at August 31, 2019 was a liability of $11.6 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term liability.

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million U.S. dollars, to fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at August 31, 2019 was an asset of $6.0 million, which has been recorded in the interim condensed consolidated statements of financial position as a long-term asset (note 4), and within other expense (income), net in the interim condensed consolidated statements of income (loss) (note 13).

The Company has the following undiscounted contractual obligations related to the remaining forward currency contracts:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	85,064	25,172	53,072	6,820	—
Contractual USD cash inflows	68,600	20,300	42,800	5,500	—

On November 29, 2018, the Company initiated total return swap agreements on 1,868,500 share units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based 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, 2019 was an asset of $0.3 million, which has been recorded in the interim consolidated statement of financial position as an asset in prepaid expenses and other assets and within employee expenses in the interim condensed consolidated statement of income (loss) (note 11).

KEY PERFORMANCE INDICATORS

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

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

FREE CASH FLOW

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

	Three months ended		Year ended	
	August 31,		**August 31,**	
(thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Cash provided by (used in):				
Operating activities	**115,039**	105,781	**343,553**	370,907
Investing activities	**(21,485)**	(11,386)	**(30,215)**	(25,580)
	93,554	94,395	**313,338**	345,327
Add: cash used in business acquisitions and strategic investments [1]	**—**	1,571	**9,161**	3,680
Deduct: cash provided by business divestiture, net of divested cash [2]	**—**	—	**(12,529)**	—
Free cash flow	**93,554**	95,966	**309,970**	349,007

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

[2] Disposition of TLN

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)	**2019**	2018	**2019**	2018
Net income (loss) attributable to shareholders	**22,947**	33,675	**156,084**	(784,509)
Adjustments, net of income tax:				
Impairment of investment in associates	**—**	—	**7,565**	—
Broadcast license and goodwill impairment charges	**—**	—	**—**	1,010,061
Gain on debt modification	**—**	—	**(2,856)**	—
Loss from disposition of TLN	**—**	—	**814**	—
Business acquisition, integration and restructuring costs	**4,983**	5,859	**19,399**	12,859
Adjusted net income attributable to shareholders	**27,930**	39,534	**181,006**	238,411
Basic earnings (loss) per share	**$0.11**	$0.16	**$0.74**	($3.77)
Adjustments, net of income tax:				
Impairment of investment in associates	**—**	—	**$0.03**	—
Broadcast license and goodwill impairment charges	**—**	—	**—**	$4.85
Gain on debt modification	**—**	—	**($0.01)**	—
Loss from disposition of TLN	**—**	—	**—**	—
Business acquisition, integration and restructuring costs	**$0.02**	$0.03	**$0.09**	$0.06
Adjusted basic earnings per share	**$0.13**	$0.19	**$0.85**	$1.14

NET DEBT AND NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	**As at August 31, 2019**	As at August 31, 2018
Total bank loans, net of unamortized financing fees	**1,731,745**	1,983,933
Cash and cash equivalents	**(82,568)**	(94,801)
Net debt	**1,649,177**	1,889,132
Net debt (numerator)	**1,649,177**	1,889,132
Segment profit (denominator) (1)	**585,085**	575,628
Net debt to segment profit	**2.82**	3.28

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

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2018 Annual Report under the "Risks and Uncertainties" section. There has been the following change in the risks or uncertainties facing the Company since that date.

PROPOSED PROHIBITIONS ON FOOD ADVERTISING TO CHILDREN

On October 6, 2017, Bill S-228 (the "Bill"), an Act to Amend the *Food and Drugs Act* (proposed federal legislation that limits unhealthy food and beverage advertising directed at children), was tabled for First Reading in Parliament, subsequently moving forward. On September 19, 2018, the Bill passed Third Reading in the House of Commons, and was awaiting Royal Assent. Upon receipt of Royal Assent, the Bill would have become law, but would not come into force until two years after the date of Royal Assent. During the period that Parliament was considering the Bill, Health Canada conducted the process of drafting the regulations that would accompany the law. During the summer of 2018, Health Canada conducted a public consultation on its proposed regulatory approach. Corus participated in providing an industry response from the Canadian Association of Broadcasters on July 18, 2018. Health Canada held an information session on November 5, 2018 to provide further detail on the proposed draft regulations.

On June 21, 2019, the parliamentary session concluded before the Bill received Royal Assent. Under the rules of parliamentary procedure, the Bill thus died on the Order Paper before becoming law. Should the next government choose to proceed with similar legislation, it would have to re-introduce a new bill and begin at the first stage of the legislative process.

IMPACT OF NEW ACCOUNTING POLICIES AND CHANGES IN ESTIMATES

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, 2018 consolidated financial statements and note 3 in the Company's 2019 interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

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

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

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

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

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

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

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

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

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;

4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

The application of this new standard impacts only the Company's reported television segment results with respect to the Company's software licensing business, specifically with regards to the timing of recognition of revenue related to software licenses. IFRS 15 requires revenue related to certain licenses of an entity's intellectual property to be recognized at a point in time if the license relates to the right to use the property as it exists at a point in time. The Company has identified an adjustment to reduce unearned revenues on September 1, 2018 by $2.7 million ($2.0 million, net of income tax) with a corresponding adjustment to opening accumulated deficit related to software license revenues which would have been recognized at a point in time under IFRS 15, which were previously recognized over time. There was no significant impact on revenue during the year ended August 31, 2019.

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

IFRS 9 - Financial instruments ("IFRS 9")

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

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

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

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

Financial assets

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

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

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

Financial liabilities

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

Expected credit loss impairment model

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

Financial instruments

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

Investments in venture funds

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

Derivative Instruments and Hedge Accounting

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

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

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

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

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is recorded on a straight-line basis over the estimated useful life. For the three months and year ended August 31, 2019, this has resulted in an additional $16.7 million and $103.2 million, respectively, in amortization expense in the depreciation and amortization line within the consolidated statements of income and comprehensive income (loss).

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, 2019 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, 2019**	As at August 31, 2018
ASSETS		
Current		
Cash and cash equivalents	**82,568**	94,801
Accounts receivable	**372,828**	388,751
Income taxes recoverable	**13,772**	3,305
Prepaid expenses and other assets	**19,557**	20,723
Total current assets	**488,725**	507,580
Tax credits receivable	**25,035**	18,047
Investments and other assets (note 4)	**51,707**	82,213
Property, plant and equipment	**225,927**	231,192
Program rights (note 5)	**507,913**	538,357
Film investments (note 6)	**53,336**	43,424
Intangibles (notes 3 and 7)	**1,876,235**	2,012,086
Goodwill	**1,383,958**	1,387,652
Deferred income tax assets	**59,463**	62,403
	4,672,299	4,882,954
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**429,483**	405,762
Current portion of long-term debt (note 9)	**76,339**	106,375
Provisions (note 8)	**10,331**	11,175
Total current liabilities	**516,153**	523,312
Long-term debt (note 9)	**1,655,406**	1,877,558
Other long-term liabilities	**278,117**	295,206
Provisions (note 8)	**7,686**	7,801
Deferred income tax liabilities	**472,700**	502,274
Total liabilities	**2,930,062**	3,206,151
EQUITY		
Share capital (note 10)	**830,477**	2,330,477
Contributed surplus	**1,512,818**	12,119
Accumulated deficit	**(758,757)**	(856,668)
Accumulated other comprehensive income	**12,187**	36,460
Total equity attributable to shareholders	**1,596,725**	1,522,388
Equity attributable to non-controlling interest (note 17)	**145,512**	154,415
Total equity	**1,742,237**	1,676,803
	4,672,299	4,882,954

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)	**2019**	2018	**2019**	2018
Revenues	**377,479**	379,084	**1,687,482**	1,647,347
Direct cost of sales, general and administrative expenses (note 11)	**267,703**	264,523	**1,102,397**	1,071,719
Depreciation and amortization (note 3)	**37,326**	19,839	**182,354**	81,861
Interest expense (note 12)	**26,313**	31,005	**117,718**	127,346
Broadcast license and goodwill impairment	**—**	—	**—**	1,013,692
Gain on debt modification (note 9)	**—**	—	**(3,889)**	—
Business acquisition, integration and restructuring costs (note 8)	**6,779**	7,703	**26,316**	17,071
Other expense (income), net (note 13)	**(1,455)**	609	**10,474**	5,692
Income (loss) before income taxes	**40,813**	55,405	**252,112**	(670,034)
Income tax expense (note 14)	**12,287**	15,545	**71,445**	88,129
Net income (loss) for the period	**28,526**	39,860	**180,667**	(758,163)
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income (loss):				
Unrealized foreign currency translation adjustment	**(206)**	117	**309**	724
Unrealized change in fair value of cash flow hedges	**(3,887)**	(344)	**(31,538)**	12,916
	(4,093)	(227)	**(31,229)**	13,640
Items that will not be reclassified to income (loss):				
Unrealized change in fair value of financial assets	**(801)**	—	**(2,440)**	(118)
Actuarial gain (loss) on post-retirement benefit plans	**1,647**	7,421	**(9,295)**	11,550
	846	7,421	**(11,735)**	11,432
Other comprehensive income (loss), net of income taxes	**(3,247)**	7,194	**(42,964)**	25,072
Comprehensive income (loss) for the period	**25,279**	47,054	**137,703**	(733,091)
Net income (loss) attributable to:				
Shareholders	**22,947**	33,675	**156,084**	(784,509)
Non-controlling interest	**5,579**	6,185	**24,583**	26,346
	28,526	39,860	**180,667**	(758,163)
Comprehensive income (loss) attributable to:				
Shareholders	**19,700**	40,869	**113,120**	(759,437)
Non-controlling interest	**5,579**	6,185	**24,583**	26,346
	25,279	47,054	**137,703**	(733,091)
Earnings (loss) per share attributable to shareholders:				
Basic	**$0.11**	$0.16	**$0.74**	($3.77)
Diluted	**$0.11**	$0.16	**$0.74**	($3.77)

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, 2018, as previously presented	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803
IFRS 9 transitional adjustment (note 3)	—	—	—	9,396	9,396	—	9,396
IFRS 15 transitional adjustment (note 3)	—	—	1,985	—	1,985	—	1,985
Adjusted balance as at September 1, 2018	2,330,477	12,119	(854,683)	45,856	1,533,769	154,415	1,688,184
Comprehensive income (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 (note 10)	(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 (note 17)	—	—	—	—	—	(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**
As at August 31, 2017	2,291,814	11,449	114,492	22,938	2,440,693	158,828	2,599,521
Comprehensive income (loss)	—	—	(784,509)	25,072	(759,437)	26,346	(733,091)
Dividends declared	—	—	(198,201)	—	(198,201)	(30,809)	(229,010)
Issuance of shares under dividend reinvestment plan	38,578	—	—	—	38,578	—	38,578
Issuance of shares under stock option plan	85	—	—	—	85	—	85
Actuarial gain on post-retirement benefit plans	—	—	11,550	(11,550)	—	—	—
Share-based compensation expense	—	670	—	—	670	—	670
Funding of equity interest	—	—	—	—	—	50	50
As at August 31, 2018	2,330,477	12,119	(856,668)	36,460	1,522,388	154,415	1,676,803

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended August 31, 2019	Three months ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2018
OPERATING ACTIVITIES				
Net income (loss) for the period	**28,526**	39,860	**180,667**	(758,163)
Adjustments to reconcile net income (loss) to cash flow from operations:				
Amortization of program rights (notes 5 and 11)	**122,301**	122,966	**516,431**	516,300
Amortization of film investments (notes 6 and 11)	**3,591**	5,980	**16,035**	16,197
Depreciation and amortization (note 3)	**37,326**	19,839	**182,354**	81,861
Broadcast license and goodwill impairment	**—**	—	**—**	1,013,692
Deferred income taxes (recovery)	**8,960**	5,130	**(10,166)**	16,869
Impairment of investment in associate (notes 4 and 13)	**—**	—	**8,720**	—
Share-based compensation expense	**214**	163	**699**	670
Imputed interest (note 12)	**9,219**	9,910	**41,209**	43,240
Gain on debt modification (note 9)	**—**	—	**(3,889)**	—
Proceeds from termination of interest rate swap (note 9)	**—**	—	**—**	24,644
Payment of program rights	**(143,886)**	(141,744)	**(537,954)**	(513,186)
Net spend on film investments	**(1,797)**	(2,795)	**(45,029)**	(33,722)
CRTC benefit payments	**(1,338)**	(1,059)	**(2,561)**	(2,332)
Other	**780**	(1,391)	**(5,921)**	(6,665)
Cash flow from operations	**63,896**	56,859	**340,595**	399,405
Net change in non-cash working capital balances related to operations	**51,143**	48,922	**2,958**	(28,498)
Cash provided by operating activities	**115,039**	105,781	**343,553**	370,907
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(18,477)**	(8,820)	**(30,055)**	(16,117)
Proceeds from sale of property	**—**	300	**—**	845
Business divestiture, net of divested cash (note 17)	**—**	—	**12,529**	—
Business acquisition (note 17)	**—**	—	**(6,011)**	—
Net cash flows for intangibles, investments and other assets	**(3,008)**	(2,866)	**(6,678)**	(10,308)
Cash used in investing activities	**(21,485)**	(11,386)	**(30,215)**	(25,580)
FINANCING ACTIVITIES				
Decrease in bank loans	**(59,976)**	(27,188)	**(249,949)**	(108,639)
Deferred financing costs	**(98)**	—	**(3,440)**	(4,088)
Issuance of shares under stock option plan	**—**	—	**—**	85
Dividends paid	**(12,718)**	(50,588)	**(38,150)**	(198,808)
Dividends paid to non-controlling interest	**(6,957)**	(7,080)	**(30,365)**	(28,809)
Other	**(458)**	(438)	**(3,667)**	(3,968)
Cash used in financing activities	**(80,207)**	(85,294)	**(325,571)**	(344,227)
Net change in cash and cash equivalents during the period	**13,347**	9,101	**(12,233)**	1,100
Cash and cash equivalents, beginning of the period	**69,221**	85,700	**94,801**	93,701
Cash and cash equivalents, end of the period	**82,568**	94,801	**82,568**	94,801

Supplemental cash flow disclosures (note 16)

See accompanying notes

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

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

These interim condensed consolidated financial statements of the Company for the three months and year ended August 31, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on October 17, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

CHANGES IN ESTIMATES

INTANGIBLES

In the first quarter of fiscal 2019, as a result of the completion of a strategic review of all its television services, the Company changed the accounting estimates related to the useful life of its television brands. On a prospective basis commencing September 1, 2018, the useful life of television brands was changed from indefinite life to lives ranging from three to 20 years. Amortization is recorded on a straight-line basis over the estimated useful life. For the three months and year ended August 31, 2019, this has resulted in an additional $16.7 million and $103.2 million, respectively, in amortization expense in the depreciation and amortization line within the consolidated statements of income (loss) and comprehensive income (loss).

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2018.

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

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

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

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

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

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

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

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

The Company used the modified retrospective method, which requires the cumulative effect of initially applying IFRS 15 to be recognized at the date of initial application, which was September 1, 2018, and that the financial information previously presented for the year ended August 31, 2018 would remain unchanged. The Company also elected to apply the following practical expedients as permitted by the standard:

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

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

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

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

IFRS 9 – Financial instruments ("IFRS 9")

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

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

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

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

Financial assets

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

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

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

Financial liabilities

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

Expected credit loss impairment model

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

Financial instruments

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

Investments in venture funds

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

Derivative instruments and hedge accounting

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

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

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

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

PENDING ACCOUNTING CHANGES

IFRS 16 – *Leases ("IFRS 16")*

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

The Company will be applying the standard retrospectively, with the cumulative effect of the initial application of the new standard recognized at the date of initial application, September 1, 2019, subject to permitted and elected practical expedients; such method of application would not result in the retrospective adjustment of amounts reported for periods prior to fiscal 2020. The nature of the transition method selected is such that the lease population as at September 1, 2019, and the discount rates determined contemporaneously, will be the basis for the cumulative effects recorded as of that date.

As a transitional practical expedient permitted by the new standard, the Company will not reassess whether contracts are, or contain, leases as at September 1, 2019, applying the criteria of the new standard; as at September 1, 2019, only contracts that were previously identified as leases applying IAS 17 – *Leases*, and IFRIC 4 – *Determining whether an Arrangement Contains a Lease*, will be a part of the transition to the new standard. Only contracts entered into (or changed) after September 1, 2019, will be assessed for being, or containing, leases applying the criteria of the new standard.

The Company will record a right-of-use asset and a lease liability at the date of transition. The lease liability will initially be measured at the present value of lease payments that remain to be paid at the date of the transition.

Upon transition the right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position immediately before the date of initial application.

After transition, the right-of-use asset will initially be recorded at the lease commencement date and will be measured at cost consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless we expect to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

The estimated effect of the IFRS 16 transition on September 1, 2019 is expected to add approximately $125 million and $145 million to consolidated assets and liabilities, respectively.

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

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

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

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

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Investment in Venture Funds	Other assets	Total
Balance – August 31, 2018	9,000	35,977	37,236	82,213
IFRS 9 transitional adjustment (note 3)	—	10,849	—	10,849
Adjusted balance as at September 1, 2018	9,000	46,826	37,236	93,062
Net decrease	(265)	(2,824)	(29,546)	(32,635)
Impairment of investment in associate (note 13)	(8,720)	—	—	(8,720)
Balance – August 31, 2019	**15**	**44,002**	**7,690**	**51,707**

5. PROGRAM RIGHTS

Balance – August 31, 2018	538,357
Net additions	490,963
Disposition (note 17)	(4,976)
Amortization	(516,431)
Balance – August 31, 2019	**507,913**

6. FILM INVESTMENTS

Balance – August 31, 2018	43,424
Net additions	25,947
Amortization	(16,035)
Balance – August 31, 2019	**53,336**

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

7. INTANGIBLES

	Broadcast licenses [(1)]	Brands and trademarks [(2)]	Other [(3)]	Total
Balance – August 31, 2018	971,197	1,025,589	15,300	2,012,086
Additions	—	11,854	6,072	17,926
Acquisitions (note 17)	—	—	3,005	3,005
Disposition (note 17)	(7,424)	—	—	(7,424)
Amortization	—	(137,523)	(11,835)	(149,358)
Balance – August 31, 2019	**963,773**	**899,920**	**12,542**	**1,876,235**

(1) Broadcast licenses are located in Canada.

(2) The change in estimates related to the television brand assets (note 3) has resulted in an additional $16.7 million and $103.2 million in amortization expense in the three months and year ended August 31, 2019, respectively. Of the total brand assets, $179.1 million is amortized over 3-5 years and $747.7 million is amortized over 20 years, however, the amortization of certain brands is accelerated based on anticipated rebranding when appropriate.

(3) Other intangibles are comprised principally of computer software.

8. PROVISIONS

	Restructuring	Onerous lease obligation	Asset retirement obligations	Other	Total
Balance – August 31, 2018	11,660	—	6,731	585	18,976
Additions (reductions)	13,870	5,995	1,986	(405)	21,446
Interest	—	305	169	—	474
Payments	(17,776)	(3,606)	(1,497)	—	(22,879)
Balance – August 31, 2019	**7,754**	**2,694**	**7,389**	**180**	**18,017**
Current	6,401	2,694	1,056	180	10,331
Long-term	1,353	—	6,333	—	7,686
Balance – August 31, 2019	**7,754**	**2,694**	**7,389**	**180**	**18,017**

In the year ended August 31, 2019, the Company recorded restructuring costs associated with employee exits of $13.9 million, onerous lease provision costs of $6.0 million for office space vacated in Vancouver and decommissioning of broadcast tower sites, as well as additional asset retirement obligations of $2.0 million for the former Shaw Media headquarters in Toronto and broadcast tower sites.

9. LONG-TERM DEBT

	August 31, 2019	August 31, 2018
Bank loans	**1,745,175**	1,998,684
Unamortized financing fees	**(13,430)**	(14,751)
	1,731,745	1,983,933
Less: current portion of bank loans	**(76,339)**	(106,375)
	1,655,406	1,877,558

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2019, the weighted average interest rate on outstanding bank loans was 4.2% (2018 – 4.5%). Interest on the bank loans averaged 4.1% and 4.3% for the three months and year ended August 31, 2019, respectively (2018 – 4.5% and 4.3%).

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, 2019.

CREDIT FACILITIES

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

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

Effective May 31, 2019, the Company's credit agreement with a syndicate of banks was amended. The principal amendment effected was the extension of the maturity for the Term Facility and the Revolving Facility. The amendment was accounted for as a debt modification in accordance with IFRS 9, resulting in a $3.9 million gain on debt modification in the interim condensed consolidated statements of income (loss) and comprehensive income (loss). The gain resulted from the change in the net present value of the future modified cash flows compared to the net present value of the original cash flows at the time of closing the amendment, using the effective interest rate prior to the modification. In connection with the amendment, the Company incurred $3.4 million of deferred financing costs, which have reduced the carrying value of the modified Term 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, 2019, the Term Facility was composed of three tranches, with the first tranche in the amount of $639.0 million and having a maturity date of May 31, 2024, the second tranche in the amount of $868.7 million and having a maturity date of May 31, 2023, and the third tranche in the amount of $258.3 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. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus.

Revolving Facility

The 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, 2019, all of the Revolving Facility was available and could be drawn.

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

INTEREST RATE SWAP AGREEMENTS

On November 28, 2017, the Company terminated the Canadian interest rate swap agreements that fixed the interest rate on $1,871.0 million of its outstanding term loan facilities. As a result, the Company received a cash payment, net of accrued interest, of $24.6 million in settlement of these interest rate swaps, which was the fair value upon termination. The fair value of $24.6 million was recorded in other comprehensive income (loss) and is being amortized over the life of the original swap agreements as non-cash interest income in the interim consolidated statements of income (loss) and comprehensive income (loss) (note 12).

On November 28, 2017, the Company entered into Canadian interest rate swap agreements to fix the interest rate on $1,101.0 million and $600.0 million of its outstanding term loan facilities at 1.947% and 2.004%, respectively, plus applicable margins to August 31, 2021 and August 31, 2022. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income (loss). The estimated fair value of these agreements as at August 31, 2019 was a liability of $11.6 million (August 31, 2018 – $23.2 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

On November 29, 2018, the Company initiated total return swap agreements on 1,868,500 share units with a notional value of $9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based 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, 2019 was an asset of $0.3 million, which has been recorded in the interim consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the interim consolidated statements of income (loss) and comprehensive income (loss) (note 11).

FORWARD CONTRACTS

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling $98.0 million USD, to fix the foreign exchange rate and cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash 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, 2019 was an asset of $6.0 million (August 31, 2018 – $3.8 million), which has been recorded in the interim consolidated statements of financial position as a long-term other asset (note 4) and within other expense (income), net in the interim consolidated statements of income (loss) and comprehensive income (loss) (note 13). The Company has the following undiscounted contractual obligations related to forward foreign exchange contracts:

	Total	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**More than 5 years**
Contractual CDN cash outflows	85,064	25,172	53,072	6,820	—
Contractual USD cash inflows	68,600	20,300	42,800	5,500	—

10. SHARE CAPITAL

AUTHORIZED

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

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance – August 31, 2018	3,419,392	26,479	208,577,666	2,303,998	2,330,477
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(6,200)	(38)	6,200	38	—
Reduction of stated capital [1]	—	(17,000)	—	(1,483,000)	(1,500,000)
Balance – August 31, 2019	**3,413,192**	**9,441**	**208,583,866**	**821,036**	**830,477**

[1] Reduction in stated capital approved at the Company's Annual and Special Meeting of shareholders on January 16, 2019.

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,	
	2019	2018	**2019**	2018
Net income (loss) attributable to shareholders (numerator)	**22,947**	33,675	**156,084**	(784,509)
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**211,997**	210,479	**211,997**	208,257
Effect of dilutive securities	**76**	—	**38**	—
Weighted average number of shares outstanding – diluted	**212,073**	210,479	**212,035**	208,257

The calculation of diluted earnings (loss) per share for the three months and year ended August 31, 2019 excluded 4,813 and 5,235, respectively (2018 – 6,124 and 6,057, respectively) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

SHARE-BASED COMPENSATION

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

	August 31, 2019	August 31, 2018
Outstanding employee stock options	**5,977,925**	6,057,375
Exercisable employee stock options	**2,660,825**	3,021,550
Outstanding PSUs	**1,862,964**	1,424,404
Outstanding DSUs	**1,554,166**	1,206,809
Outstanding RSUs	**841,340**	517,392

Share-based compensation expense recorded for the fourth quarter and fiscal 2019 in respect of these plans was $1,636 and $5,347, respectively (2018 – recovery of $1,764 and $7,818, respectively). As at August 31, 2019, the carrying value of the liability for PSU, DSU and RSU units was $10,086 (August 31, 2018 – $4,912).

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

11. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	**August 31,**	Year ended	**August 31,**
	2019	2018	**2019**	2018
Direct cost of sales				
Amortization of program rights (note 5)	**122,301**	122,966	**516,431**	516,300
Amortization of film investments (note 6)	**3,591**	5,980	**16,035**	16,197
Other cost of sales	**10,229**	7,636	**34,808**	27,349
General and administrative expenses				
Employee costs (note 9)	**80,887**	78,613	**323,479**	303,847
Other general and administrative	**50,695**	49,328	**211,644**	208,026
	267,703	264,523	**1,102,397**	1,071,719

12. INTEREST EXPENSE

	Three months ended	**August 31,**	Year ended	**August 31,**
	2019	2018	**2019**	2018
Interest on long-term debt (note 9)	**18,391**	23,002	**82,288**	89,026
Imputed interest on long-term liabilities	**9,219**	9,910	**41,209**	43,240
Amortization of deferred gain on settled interest rate swap (note 9)	**(1,726)**	(2,380)	**(8,075)**	(7,323)
Other	**429**	473	**2,296**	2,403
	26,313	31,005	**117,718**	127,346

13. OTHER EXPENSE (INCOME), NET

	Three months ended	**August 31,**	Year ended	**August 31,**
	2019	2018	**2019**	2018
Foreign exchange (gain) loss	**(2,190)**	1,257	**952**	5,382
Equity loss of associates	**(1)**	302	**923**	1,558
Impairment of investment in associate (note 4)	**—**	—	**8,720**	—
Other expense (income) (note 9)	**736**	(950)	**(121)**	(1,248)
	(1,455)	609	**10,474**	5,692

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

14. 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, 2019		Year ended August 31, 2018	
	$	**%**	$	%
Income tax at combined federal and provincial rates	**66,991**	**26.6%**	(177,650)	26.5%
Loss (income) subject to tax at less than statutory rates	**157**	**—%**	(191)	—%
Non-deductible (taxable) portion of capital losses (gains)	**1,744**	**0.7%**	(88)	—%
Impact of valuation allowance recorded against future income tax assets in the year	**645**	**0.3%**	—	—%
Goodwill impairment	**—**	**—%**	265,136	(39.6%)
Transaction costs	**215**	**0.1%**	(29)	—%
Increase of various tax reserves	**364**	**0.1%**	450	—%
Increase in deferred taxes from statutory rate changes	**184**	**—%**	—	—%
Miscellaneous differences	**1,145**	**0.5%**	501	(0.1%)
	71,445	**28.3%**	88,129	(13.2%)

15. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 35 specialty television networks (37 services prior to September 30, 2019; 44 services prior to March 22, 2019; 45 services prior to February 28, 2018), 15 conventional television stations, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and technology and media services. Revenues are generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and technology and media service sales.

RADIO

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

CORPORATE

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

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

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

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

REVENUES AND SEGMENT PROFIT

Three months ended 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**
Business acquisition, integration and restructuring costs				**6,779**
Other income, net				**(1,455)**
Income before income taxes				**40,813**

Three months ended August 31, 2018	Television	Radio	Corporate	Consolidated
Revenues	344,646	34,438	—	379,084
Direct cost of sales, general and administrative expenses	235,908	25,981	2,634	264,523
Segment profit (loss)	108,738	8,457	(2,634)	114,561
Depreciation and amortization				19,839
Interest expense				31,005
Business acquisition, integration and restructuring costs				7,703
Other expense, net				609
Income before income taxes				55,405

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)**
Business acquisition, integration and restructuring costs				**26,316**
Other expense, net				**10,474**
Income before income taxes				**252,112**

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

Year ended August 31, 2018	Television	Radio	Corporate	Consolidated
Revenues	1,499,322	148,025	—	1,647,347
Direct cost of sales, general and administrative expenses	957,533	107,717	6,469	1,071,719
Segment profit (loss)	541,789	40,308	(6,469)	575,628
Depreciation and amortization				81,861
Interest expense				127,346
Broadcast license and goodwill impairment				1,013,692
Business acquisition, integration and restructuring costs				17,071
Other expense, net				5,692
Loss before income taxes				(670,034)

Revenues are derived from the following areas:

	Three months ended		Year ended	
		August 31,		**August 31,**
	2019	2018	**2019**	2018
Advertising	**226,033**	218,896	**1,101,814**	1,043,810
Subscriber fees	**123,028**	128,329	**496,447**	507,756
Merchandising, distribution and other	**28,418**	31,859	**89,221**	95,781
	377,479	379,084	**1,687,482**	1,647,347

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Year ended	
		August 31,		**August 31,**
	2019	2018	**2019**	2018
Interest paid	**18,797**	23,489	**84,097**	91,611
Interest received	**735**	435	**1,926**	1,244
Income taxes paid	**34,153**	18,101	**88,850**	66,431

17. BUSINESS COMBINATIONS AND DIVESTITURES

Disposition of 50.5% interest in Telelatino Network ("TLN")

On March 22, 2019, the Company sold its 50.5% interest in TLN, a subsidiary, to TLN Media Group Inc. for cash consideration of $19.0 million, which was received upon closing. Proceeds of $2.6 million were recorded as deferred revenue related to the long-term services agreement with TLN Media group Inc. The carrying value of net identifiable assets disposed of amounted to $16.1 million as at March 22, 2019, resulting in a loss on disposal of $0.3 million. In addition, an adjustment has been made to the carrying amounts of the non-controlling interests in these interim condensed consolidated financial statements related to the disposition of the Company's equity interest to reflect the disposition.

The results of the operations of TLN were included in the Television segment until March 22, 2019.

Acquisition of 100% interest in KIN Canada

On April 1, 2019, the Company acquired certain assets of KIN Canada for cash consideration of $6.0 million. The net identifiable assets of KIN Canada were comprised of $3.0 million of intangible assets and $3.0 million of goodwill.