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**report to
shareholders
Second Quarter 2023**

For the Three and Six Months Ended February 28, 2023
(Unaudited)






Table of Contents

3	Financial Highlights
4	Business Highlights
5	Management's Discussion and Analysis
6	Overview of Consolidated Results
9	Business Segment Information
9	Television
10	Radio
11	Corporate
11	Quarterly Consolidated Financial Information
12	Financial Position
13	Liquidity and Capital Resources
15	Outstanding Share Data
15	Key Performance Indicators and Non-GAAP Financial Measures
18	Risks and Uncertainties
18	Outlook
19	Impact of New Accounting Policies
19	Critical Accounting Estimates and Judgements
19	Controls and Procedures
20	Interim Condensed Consolidated Financial Statements and Notes

FINANCIAL HIGHLIGHTS

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

(in thousands of Canadian dollars except per share amounts)

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Revenue				
Television	321,548	339,661	723,077	774,408
Radio	22,323	22,000	51,985	51,126
	343,871	361,661	775,062	825,534
Segment profit (loss) ⁽¹⁾				
Television	63,019	92,723	194,778	271,609
Radio	350	125	6,372	5,871
Corporate	(4,234)	(6,292)	(10,323)	(13,754)
	59,135	86,556	190,827	263,726
Segment profit margin ⁽¹⁾				
Television	20%	27%	27%	35%
Radio	2%	1%	12%	11%
Consolidated	17%	24%	25%	32%
Net income (loss) attributable to shareholders	(15,450)	16,221	15,937	92,386
Basic earnings (loss) per share	(\$0.08)	\$0.08	\$0.08	\$0.44
Diluted earnings (loss) per share	(\$0.08)	\$0.08	\$0.08	\$0.44
Free cash flow ⁽¹⁾	28,397	88,417	49,207	168,404

⁽¹⁾In addition to disclosing results in accordance with International Financial Reporting Standards ("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 and to provide a better understanding of how management views the Company's performance. These non-IFRS or non-GAAP measures can include: segment profit (loss), segment profit margin, free cash flow, adjusted net income (loss) attributable to shareholders, adjusted basic earning (loss) per share, net debt to segment profit, optimized advertising revenue and new platform revenue. These are not measurements in accordance with IFRS and should not be considered as an alternative to any other measure of performance under IFRS. Please see additional discussion and reconciliations under the Key Performance Indicators and Non-GAAP Financial Measures section below.

BUSINESS HIGHLIGHTS

Multi-Platform Video Business

- **Global TV App adds two premium networks, Freeplay section.** Magnolia Network Canada and Lifetime are now available on the Global TV App, offering over 500 episodes and more than 300 hours of content to users with a subscription to these networks through their cable package. The Global TV App also introduced Freeplay – an all-new section available across Global TV App platforms where users can watch thousands of hours of free ad-supported content from over 100 shows and over 75 movies.
- **Kids channel portfolio evolves with launch of two rebranded kids' networks.** TELETOON was rebranded as Cartoon Network on linear platforms and STACKTV beginning March 27, 2023. In addition, Corus introduced a new kids' television channel, relaunching the prior Cartoon Network as Boomerang. Alongside the recent launch of multi-platform kids' streaming service TELETOON+, these rebrands modernize and expand Corus' catalogue of kids' entertainment across its portfolio.

International Content Business

- **Greenlights announced for series featuring Hollywood icon Pamela Anderson.** Corus Studios announced the continuation of their collaborative partnership with Pamela Anderson in two new greenlights – Season 2 of renovation series *Pamela's Garden of Eden* and new food-focused show *Pamela's Cooking with Love* (working title). Corus Studios will distribute both series internationally.
- **Corus Studios Announces Recent Sales and New Series.** Corus Studios sold over 200 hours of content during Q2 of fiscal 2023, including interconnected movies *The Love Club* (4x120) to Hallmark Channel U.S. and three series to Hulu in the U.S. Titles debuting for sale in the international market include Pamela Anderson's new series *Pamela's Cooking With Love* (working title) (8x60), *Renovation Resort* (7x60) starring Bryan Baeumler and Scott McGillivray, and Bryan Baeumlers' new series *Bryan's All In* (10x60).

Ongoing Focus on Capital Management

- **Corus declared quarterly dividends.** On March 6, 2023, Corus declared a dividend of \$0.03 per Class B non-voting participating share and \$0.02875 per Class A participating share, paid on March 31, 2023 to shareholders of record at the close of business on March 15, 2023.
- **New dividend rate and payment schedule.** Effective March 31, 2023, Corus' annual dividend rate was reduced to \$0.12 per Class B non-voting participating share and \$0.115 per Class A participating share. This redeployment of capital from dividends is expected to be directed to debt repayment. In addition, a revised dividend payment schedule was adopted with expected quarterly payment dates shifting to August, November, February and May (from June, September, December and March), with any such dividend declarations being subject to Board approval.
- **Amendment of Credit Facilities.** Corus completed an agreement to amend its Sixth Amended and Restated Credit Agreement with its bank group, led by RBC Capital Markets and TD Securities. A copy of the amendment to the credit agreement is available under Corus' profile on SEDAR at www.sedar.com.

Advanced Focus on Sustainability

- **Corus gives back to local communities.** In the second quarter, Corus helped raise \$18.8 million for over 200 community giving initiatives as well as provided 779 volunteer hours to 57 local organizations across Canada.

Creating a Great Place to Work

- **Canada's Top 100 Employers for Young people.** Corus Entertainment was recognized as one of Canada's Top Employers for Young People for the 13th consecutive year. The recognition is a benchmark for employers that offer the nation's best workplaces and programs for young people just starting their careers.
- **Report on Business Women Lead Here.** For the fourth consecutive year, Corus Entertainment has earned a spot on The Globe and Mail's Report on Business 2023 Women Lead Here list, an annual benchmark recognizing companies with leading executive gender diversity in corporate Canada.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2023 is prepared as at April 12, 2023. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's Annual Report for the year ended August 31, 2022 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 interim financial results under International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, as issued by 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"). This forward-looking information relates to, among other things, the Company's objectives, goals, strategies, targets, intentions, plans, estimates and outlook, including the adoption and anticipated impact of the Company's strategic plan, advertising and expectations of advertising trends for fiscal 2023, subscriber revenue and anticipated subscription trends, distribution, production and other revenue, the Company's dividend policy and the payment of future dividends; the Company's leverage target; the Company's ability to manage retention and reputation risks related to its on-air talent; expectations regarding financial performance, including capital allocation strategy and capital structure management, 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" or the negatives of these terms and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information.

Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions, risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation: factors and assumptions regarding the general market conditions and general outlook for the industry including: the impact of recessionary conditions and continuing supply chain constraints; the potential impact of new competition and industry mergers and acquisitions; changes to applicable tax, licensing and regulatory regimes; inflation and interest rates, stability of the advertising, subscription, production and distribution markets; changes to key suppliers or clients; operating and capital costs and tariffs, taxes and fees, the Company's ability to source, produce or sell desirable content and the Company's capital and operating results being consistent with its 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: the Company's ability to attract, retain and manage fluctuations in advertising revenue; the Company's ability to maintain relationships with key suppliers and clients and on anticipated financial terms and conditions; audience acceptance of the Company's television programs and cable networks; the Company's ability to manage retention and reputation risks related to its on-air talent; the Company's ability to recoup production costs; the availability of tax credits; the availability of expected news, production and related credits, programs and funding; the existence of co-production treaties; the Company's ability to compete in any of the industries in which it does business including with competitors which may not be regulated in the same way or to the same degree; the business and strategic opportunities (or lack thereof) that may be presented to and pursued by the Company; 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 including statements, decisions or positions by applicable regulators including, without limitation, the Canadian Radio-television and Telecommunications Commission ("CRTC"), Canadian Heritage and Innovation, Science and Economic Development Canada ("ISED"); changes to licensing status or conditions; unanticipated or un-mitigatable programming costs; the Company's ability to integrate and realize anticipated benefits from its acquisitions and to effectively manage its growth; the Company's ability to successfully defend itself against litigation matters and complaints; failure to meet covenants under the Company's senior credit

facility, senior unsecured notes or other instruments or facilities; epidemics, pandemics or other public health and safety crises in Canada and globally, including COVID-19; physical and operational changes to the Company's key facilities and infrastructure; cybersecurity threats or incidents to the Company or its key suppliers and vendors; 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 Company's Management's Discussion and Analysis for the year ended August 31, 2022 (the "2022 MD&A") and under the heading "Risk Factors" in the Company's Annual Information Form for the year ended August 31, 2022 (the "AIF"). Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on the Company's 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 and may be updated or amended from time to time. Except as 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 2022, we refer you to the Company's Annual Report for the year ended August 31, 2022, filed on SEDAR on December 9, 2022. Additional information relating to the Company, including the AIF, is available on SEDAR at www.sedar.com.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUE

Revenue for the second quarter of fiscal 2023 of \$343.9 million decreased 5% from \$361.7 million in the prior year's quarter. On a consolidated basis, advertising revenue decreased 7%, subscriber revenue was down 7%, while distribution, production and other revenue was up 27% compared to the prior year's quarter. Revenue decreased 5% in Television and increased 1% in Radio.

For the six months ended February 28, 2023, consolidated revenue of \$775.1 million decreased 6% from \$825.5 million in the prior year. On a consolidated basis, advertising revenue decreased 9%, subscriber revenue was down 3%, while distribution, production and other revenue increased 12% from the prior year comparable period. Revenue decreased 7% in Television and increased 2% in Radio. Further analysis of revenue is provided in the discussion of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the second quarter of fiscal 2023 of \$284.7 million increased 4% from \$275.1 million in the prior year's quarter. On a consolidated basis, direct cost of sales increased 8%, employee costs decreased 4% and other general and administrative expenses increased 3%. The increase in direct cost of sales results from increases in amortization of program rights, film assets and production service work. The decrease in employee costs was primarily due to lower share-based compensation expense, lower short-term compensation accruals and reduced labour costs. Other general and administrative expenses were higher as a result of increases in advertising and marketing costs, principally for STACKTV and Pluto TV, increased development costs, as well as software and system license fees, partially offset by reduced tariff royalties, trade mark fees and consulting costs.

For the six months ended February 28, 2023, direct cost of sales, general and administrative expenses of \$584.2 million increased 4% from \$561.8 million in the prior year. On a consolidated basis, direct cost of sales increased 8%, employee costs decreased 4%, while other general and administrative costs increased 6% from the prior year. The increase in direct cost of sales was driven principally by the increases in amortization of program rights, film assets and production service work. The decrease in employee costs was primarily due to lower share-based compensation expense, lower short-term compensation accruals, reduced commission costs, offset by higher labour costs in the year-to-date period. Other general and administrative expenses increased as a result of increases on spend on advertising and marketing costs, travel and entertainment costs, partially offset by reduced consulting costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Segment profit for the second quarter of fiscal 2023 was \$59.1 million, a decrease of 32% from \$86.6 million in the prior year's quarter. The decrease in segment profit for the second quarter was principally a result of Television advertising revenue declines combined with an increase in amortization of program rights. Segment profit margin for the second quarter of fiscal 2023 of 17% was down from 24% in the prior year's quarter.

For the six months ended February 28, 2023, segment profit was \$190.8 million, a decrease of 28% from \$263.7 million in the prior year. The decrease in segment profit was principally a result of Television advertising revenue declines combined with an increase in amortization of program rights in the current year-to-date. Segment profit margin of 25% for the six months ended February 28, 2023 was down from 32% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended February 28, 2023 was \$40.3 million, an increase from \$39.7 million in the prior year's quarter. The increase was a result of an increase in the amortization of brands and trade marks of \$0.8 million, offset by decreases in amortization of intangible assets and capital assets of \$0.3 million.

Depreciation and amortization expense for the six months ended February 28, 2023 was \$80.4 million, an increase from \$77.1 million in the prior year-to-date. The increase was principally a result of higher amortization of brands and trade marks of \$3.2 million.

INTEREST EXPENSE

Interest expense for the three months ended February 28, 2023 of \$34.8 million increased from \$25.8 million in the prior year's quarter. The increase in interest expense in the quarter principally results from higher interest on long-term debt of \$5.6 million and higher imputed interest of \$3.3 million on long-term liabilities associated with program rights, trade marks and right-of-use assets. Interest on long-term debt is higher due to interest payable on the 6.0% Senior Unsecured Notes of \$250.0 million due 2030 (the "2030 Notes" together with the 5.0% Senior Unsecured Notes of \$500.0 million due 2028 the "2028 Notes", collectively referred to hereafter as the "Notes") issued on February 28, 2022, as well as increased interest rates on bank loans.

On February 17, 2023, the Company's credit facility with a syndicate of banks was amended. The amendment was to revise total debt to cash flow ratio covenants on both the senior secured term credit facility (the "Term Facility") and the senior secured revolving credit facility (the "Revolving Facility", together with the Term Facility collectively referred to hereafter as the "Credit Facility"). Further information about debt refinancing can be found in the *Liquidity and Capital Resources* section of this report, under the subheading *Liquidity*.

Interest expense for the six months ended February 28, 2023 of \$69.1 million increased from \$51.3 million in the prior year. The increase principally results from higher interest on long-term debt of \$9.4 million and higher imputed interest of \$8.2 million on long-term liabilities associated with program rights, trade marks and right-of-use assets in the current year-to-date period. Interest on long-term debt was higher as a result of the addition of the 2030 Notes in the prior year and an increase in floating interest rates on bank debt with a smaller portion thereof subject to fixed rate interest rate swaps.

The effective interest rate on bank debt and Notes for the three and six months ended February 28, 2023 was 6.0% and 5.8%, respectively, compared to 4.2% in both of the comparable periods of the prior year. The increase in the effective rates for the quarter and year-to-date result from the addition of the 2030 Notes and higher floating interest rates on bank debt.

RESTRUCTURING AND OTHER COSTS

For the three and six months ended February 28, 2023, the Company incurred \$2.1 million and \$5.0 million, respectively, of restructuring and other costs, compared to \$1.0 million and \$2.1 million in the comparable periods of the prior year. The current and prior fiscal year costs relate to restructuring costs associated with employee exits, as well as ongoing system integration costs.

OTHER EXPENSE (INCOME), NET

Other expense for the three month period ended February 28, 2023 was \$1.4 million, compared to other income of \$5.9 million in the prior year's quarter. The current quarter includes net foreign exchange losses of \$2.8 million primarily related to the translation of USD denominated liabilities, fair value losses on the Notes prepayment options of \$0.4 million, offset by other income of \$1.7 million consisting of rental income and miscellaneous interest income. The prior year's quarter included a fair value gain on the Notes prepayment options of \$5.0 million, net foreign exchange gains of \$0.8 million and other income of \$0.2 million.

Other expense for the six months ended February 28, 2023 was \$8.4 million compared to other income of \$2.8 million in the prior year. In the current year-to-date, other expense includes net foreign exchange losses of \$7.7 million, fair value losses on the Notes prepayment options of \$2.0 million, offset by \$1.2 million from rental income and miscellaneous interest income. In the prior year's comparable period, other income included fair value gains on the Notes prepayment options of \$5.0 million, \$0.6 million from rental income, miscellaneous interest income and net gains from the sale of assets associated with the decommissioning of certain transmitter sites, offset by net foreign exchange losses of \$2.8 million.

INCOME TAX EXPENSE (RECOVERY)

The Company's effective income tax recovery rate for the quarter was 23.1%, while the effective income tax rate for the six months ended February 28, 2023 was 29.5%, compared to the effective tax rate of 23.2% and 25.8% in the comparable prior periods. The differences between the statutory rate of 26.5% and the effective tax (recovery) rates relate principally to withholding taxes and a prior year true up.

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

Net loss attributable to shareholders for the second quarter of fiscal 2023 was \$15.5 million (\$0.08 loss per share basic), compared to net income attributable to shareholders of \$16.2 million (\$0.08 per share basic) in the prior year's quarter. Net loss attributable to shareholders for the second quarter of fiscal 2023 includes restructuring and other costs of \$2.1 million (\$0.01 per share). Adjusting for the impact of this item results in an adjusted net loss attributable to shareholders of \$13.9 million (\$0.07 loss per share basic) in the quarter. Net income attributable to shareholders for the second quarter of fiscal 2022 includes restructuring and other costs of \$1.0 million (\$nil per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$17.0 million (\$0.08 per share basic) in the prior year's quarter.

Net income attributable to shareholders for the six months ended February 28, 2023 was \$15.9 million (\$0.08 per share basic), compared to \$92.4 million (\$0.44 per share basic) in the same comparable period of the prior year. Net income attributable to shareholders for the six months ended February 28, 2023 includes restructuring and other costs of \$5.0 million (\$0.02 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$19.6 million (\$0.10 per share basic). Net income attributable to shareholders for the six months ended February 28, 2022 includes restructuring and other costs of \$2.1 million (\$0.01 per share basic). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$93.9 million (\$0.45 per share basic) for the same comparable period of the prior year.

The weighted average number of basic shares outstanding for the three and six months ended February 28, 2023 was 199,440,000 and 199,583,000 respectively, compared to 208,093,000 and 208,231,000 for the comparable periods in the prior year. The average number of shares outstanding in fiscal 2023 decreased as a result of the purchase and cancellation of Class B Non-Voting Participating Shares under the Company's normal course issuer bid ("NCIB"), which took place between January 2022 and October 2022.

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES

Other comprehensive income for the three months ended February 28, 2023 was \$3.9 million, compared to \$1.5 million in the prior year's quarter. For the three months ended February 28, 2023, other comprehensive income includes an unrealized gain on the change in the fair value of cash flow hedges of \$2.3 million, an actuarial gain on the remeasurement of post-employment benefit plans of \$1.5 million and an unrealized gain from foreign currency translation adjustments of \$0.4 million, offset by an unrealized loss on the change in fair value of financial assets of \$0.4 million. In the prior year's quarter, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$3.1 million and an unrealized gain on the fair value of cash flow hedges of \$1.5 million, offset by an unrealized loss on the change in fair value of financial assets of \$2.9 million and an unrealized loss from foreign currency translation adjustments of \$0.2 million.

Other comprehensive income for the six months ended February 28, 2023 was \$2.5 million, compared to \$16.7 million in the prior year. For the six months ended February 28, 2023, other comprehensive income includes an unrealized gain from foreign currency translation adjustments of \$1.3 million, an unrealized gain on the fair value of cash flow hedges of \$1.3 million and an actuarial gain on the remeasurement of post-employment benefit plans of \$0.5 million, offset by an unrealized loss on the fair value of financial assets of \$0.7 million. In the six months ended February 28, 2022, other comprehensive income includes an unrealized gain on the fair value of financial assets of \$10.7 million, an unrealized gain on the fair value of cash flow hedges of \$3.5 million and an actuarial gain on the remeasurement of post-employment benefit plans of \$2.5 million.

BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 33 specialty television networks, 15 conventional television stations, digital and streaming services, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, and animation software. Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs as well as the provision of production services, merchandise licensing, book publishing, animation software, and the provision of technology and media services.

RADIO

The Radio segment comprises 39 radio stations, situated primarily in urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenue is 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 segment's performance based on revenue less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements, except as described in note 3 to the interim condensed consolidated financial statements.

TELEVISION

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended		Six months ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenue				
Advertising	169,124	184,695	421,637	469,732
Subscriber	124,051	132,823	251,566	260,358
Distribution, production and other	28,373	22,143	49,874	44,318
Total revenue	321,548	339,661	723,077	774,408
Expenses	258,529	246,938	528,299	502,799
Segment profit ⁽¹⁾	63,019	92,723	194,778	271,609
Segment profit margin ⁽¹⁾	20%	27%	27%	35%

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

Revenue for the three months ended February 28, 2023 decreased 5% from the prior year's quarter as a result of decreases of 8% in advertising revenue and 7% in subscriber revenue, partially offset by an increase of 28% in production, distribution and other revenue. Advertising demand and spending across the North American television media industry remains challenged due to economic headwinds, supply chain disruptions, budget constraints, and changing consumer habits, although the Company has experienced sequential advertising revenue improvement from the 11% decline in its first quarter of fiscal 2023 and its 14% decline in the fourth quarter of fiscal 2022. The decrease in advertising revenue was attributable to declines in health & beauty, retail, financial services, government, toys, communications, direct-to-home, and services categories, partially offset by growth in gaming and travel categories. Subscriber revenue declined from the prior year's quarter as the prior year benefitted from \$5.9 million of retroactive adjustments with distributors and the current year experienced a decline in the traditional linear business that exceeded growth from streaming services. The increase in distribution, production and other revenue was primarily attributable to content distribution agreements by Corus Studios and higher service work production deliveries by Nelvana.

Revenue for the six months ended February 28, 2023 decreased 7% as a result of a 10% decrease in advertising revenue and a 3% decrease in subscriber revenue, offset by an increase of 13% in distribution, production and other revenue. On a year-to-date basis, almost all advertising categories showed declines as advertisers continued to hold, reduce or cut spending compared to the prior year with the exception of gaming, travel and packaged goods categories. Subscriber revenue declined from the prior year-to-date as a result of the retroactive adjustments with distributors in the prior year, a decline in the traditional linear business in the current year, partially offset by slowing growth on streaming services. The increase in distribution, production and other revenue was primarily driven by content distribution agreements by Corus Studios, production deliveries by Nelvana and Aircraft Pictures (acquired February 1, 2022), offset by a decline in book publishing sales.

Expenses for the quarter were up 5% from the prior year as a result of an increase of 8% in direct cost of sales, while employee costs were down 3% and other general and administrative expenses increased 5%. The increase in direct cost of sales was driven by a \$9.6 million (or 7%) increase in amortization of program rights and a \$2.7 million increase in amortization of film investments. The increase in amortization of program rights was driven by increased original programming deliveries compared to the prior year's quarter, a ramp up of Canadian content as well as the impact of an extension of long-term output deals in the first quarter of fiscal 2023 and in the third quarter of fiscal 2022. Amortization of film investment increased as certain episodes delivered in the quarter were positively correlated with movements in revenues at Nelvana compared to the prior year's quarter as well as the acquisition of Aircraft Pictures made in the second quarter of fiscal 2022. The decrease of \$2.1 million in employee costs from the prior year's quarter resulted primarily from lower short-term compensation accruals and commissions. The increase in other general and administrative expenses from the prior year's quarter of \$1.9 million was attributable to an increase in marketing costs for the continued promotion of streaming services and higher development costs, offset by lower copyright and trade mark fees.

Expenses for the six months ended February 28, 2023 were up 5% from the comparable period of the prior year as a result of an 8% increase in direct cost of sales, a 1% decrease in employee costs and a 5% increase in general and administrative expenses. The increase in direct cost of sales was driven by a \$19.9 million (or 7%) increase in amortization of program rights and a \$3.4 million increase in amortization of film investments. The decrease of \$1.9 million in employee costs resulted from lower short-term compensation accruals and commissions, offset by higher labour costs. The increase in other general and administrative expenses of \$4.0 million was a result of increased marketing and development costs, offset by lower copyright and trade mark fees.

Segment profit⁽¹⁾ for the three and six months ended February 28, 2023 was down 32% and 28%, respectively. These declines were primarily a result of the decrease in advertising revenue and the increase in amortization of program rights. Segment profit margin⁽¹⁾ for the three and six months ended February 28, 2023 was 20% and 27%, down from 27% and 35% in the comparable periods of the prior year.

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

RADIO

FINANCIAL HIGHLIGHTS

	Three months ended		Six months ended	
	February 28,		February 28,	
(thousands of Canadian dollars)	2023	2022	2023	2022
Revenue	22,323	22,000	51,985	51,126
Expenses	21,973	21,875	45,613	45,255
Segment profit ⁽¹⁾	350	125	6,372	5,871
Segment profit margin ⁽¹⁾	2%	1%	12%	11%

⁽¹⁾As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

Revenue in the three and six months ended February 28, 2023 increased 1% and 2%, respectively, from the same comparable prior year periods. Advertising revenue growth was driven principally by the travel and entertainment categories as well as strong growth from podcasting advertising, offset by declines in the professional services, government/political, communications, and home products categories.

Direct cost of sales and general and administrative expenses in the quarter were consistent with the prior year's quarter and the six months ended February 28, 2023 were up 1%. Higher podcasting costs and copyright tariff fees were offset by lower short-term compensation accruals and other cost reductions resulting from cost containment measures.

Radio's segment profit⁽¹⁾ in the three and six months ended February 28, 2023 increased by \$0.2 million and \$0.5 million, respectively, from the comparable prior year periods as a result of revenue growth. Segment profit margin⁽¹⁾ for the three and six months ended February 28, 2023 was 2% and 12%, respectively, which was up from 1% and 11% in the prior year comparable periods.

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

CORPORATE

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Share-based compensation	(289)	1,012	(1,066)	3,262
Other general and administrative costs	4,523	5,280	11,389	10,492
	4,234	6,292	10,323	13,754

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

Share-based compensation decreased in the three and six months ended February 28, 2023 by \$1.3 million and \$4.3 million, respectively, from the comparable prior year periods. The decrease in the quarter and year-to-date results from the decline in the Company's share price, which is partially offset by the change in the fair value of the total return swaps (refer to note 4 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs decreased \$0.8 million in the quarter and increased \$0.9 million in the six months ended February 28, 2023 from the comparable prior year periods. The decrease in the quarter is principally attributable to decreases in short-term compensation accruals, consulting costs and common area rent costs, offset by increases in system fees and licenses. The increase in the year-to-date is principally due to costs related to the supplementary executive retirement plan recorded in the first quarter of fiscal 2023 and increases in system fees and licenses, offset by lower short-term compensation accruals and consulting costs.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2022, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenue is dependent on general advertising revenue 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 distribution and production revenue is dependent on the number and timing of film and television programs delivered. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended February 28, 2023. 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, 2022, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

	Revenue	Segment profit ⁽¹⁾	Net income (loss) attributable to shareholders	Adjusted net income (loss) attributable to shareholders ⁽¹⁾	Earnings (loss) per share				
					Basic	Diluted	Adjusted basic ⁽¹⁾	Free cash flow ⁽¹⁾	
2023									
2nd quarter	343,871	59,135	(15,450)	(13,880)	\$ (0.08)	\$ (0.08)	\$ (0.07)	\$ 28,397	
1st quarter	431,191	131,692	31,387	33,466	\$ 0.16	\$ 0.16	\$ 0.17	20,810	
2022									
4th quarter	339,594	56,189	(367,065)	(17,116)	\$ (1.82)	\$ (1.82)	\$ (0.08)	44,713	
3rd quarter	433,458	123,728	29,621	30,159	\$ 0.14	\$ 0.14	\$ 0.15	27,468	
2nd quarter	361,661	86,556	16,221	16,964	\$ 0.08	\$ 0.08	\$ 0.08	88,417	
1st quarter	463,873	177,170	76,165	76,931	\$ 0.37	\$ 0.36	\$ 0.37	79,987	
2021									
4th quarter	361,255	102,700	19,920	21,699	\$ 0.10	\$ 0.10	\$ 0.10	35,181	
3rd quarter	402,999	130,671	40,666	44,324	\$ 0.20	\$ 0.19	\$ 0.21	64,702	

⁽¹⁾ As defined in "Key Performance Indicators and Non-GAAP Financial Measures" of this report.

ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the second quarter of fiscal 2023 was negatively impacted by restructuring and other costs of \$2.1 million (\$0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2023 was negatively impacted by restructuring and other costs of \$2.8 million (\$0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2022 was negatively impacted by a non-cash television goodwill impairment charge of \$350.0 million (\$1.73 per share) and restructuring and other costs of \$1.8 million (\$0.01 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$4.2 million (\$0.02 per share) and was positively impacted by a debt refinancing gain of \$3.4 million (\$0.01 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$1.0 million (\$nil per share).
- Net income attributable to shareholders for the first quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$1.0 million (\$nil per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2021 was negatively impacted by restructuring and other costs of \$2.4 million (\$nil per share).
- Net income attributable to shareholders for the third quarter of fiscal 2021 was negatively impacted by debt refinancing costs of \$1.9 million (\$0.01 per share) and restructuring and other costs of \$1.6 million (\$nil per share).

FINANCIAL POSITION

Total assets at February 28, 2023 were \$3.7 billion, compared to \$3.5 billion at August 31, 2022. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2022.

Current assets at February 28, 2023 were \$428.1 million, up \$23.6 million from August 31, 2022.

Cash and cash equivalents increased by \$2.9 million from August 31, 2022. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$18.0 million from August 31, 2022. The increase was primarily as a result of an increase in trade accounts receivable. The accounts receivable balance is subject to seasonal trends. Typically, the balance of trade receivables is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased \$12.1 million from August 31, 2022 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased \$1.3 million from August 31, 2022, primarily as a result of a decrease in the net asset position of certain post employment benefit plans and a fair value adjustment to venture funds, offset by increases in fair value of the foreign exchange forward contracts, the interest rate swap and the Notes prepayment option.

Property, plant and equipment decreased \$16.7 million from August 31, 2022 as a result of depreciation expense exceeding additions.

Program rights increased \$116.9 million from August 31, 2022, as additions of acquired rights of \$412.8 million were offset by amortization of \$295.9 million.

Film investments increased \$14.2 million from August 31, 2022, as film additions (net of tax credit accruals) of \$24.7 million were offset by film amortization of \$10.5 million.

Intangibles increased \$8.8 million from August 31, 2022, as a result of renewals and extensions of several trade mark agreements of \$58.3 million and net additions to other assets of \$11.7 million, offset by amortization of \$61.2 million. Goodwill remained unchanged since August 31, 2022.

Accounts payable and accrued liabilities increased \$110.7 million from August 31, 2022, principally as a result of higher program rights and trademark payable, trade accounts payable, deferred revenue, and increases in software license liabilities.

Provisions, including the long-term portion, decreased \$5.4 million from August 31, 2022, principally as a result of restructuring-related payments exceeding additions and a reduction in asset retirement obligations as a result of property disposals.

Long-term debt, including the current portion, as at February 28, 2023 was \$1,260.3 million compared to \$1,261.7 million as at August 31, 2022. As at February 28, 2023, the \$15.4 million classified as the current portion of long-term debt consists of interim production financing. During the six months ended February 28, 2023, the Company decreased bank debt and interim production financing by \$2.1 million, incurred \$1.0 million of deferred fees for an amendment to the Credit Facility and amortized \$1.7 million of deferred financing charges.

Other long-term liabilities increased \$53.9 million from August 31, 2022, primarily from increases in long-term program rights payable and trade mark liabilities resulting from renewals and extensions of output deals, unearned revenue, and software license liabilities, offset by the reduction of long-term employee obligations and lease liabilities.

Share capital decreased by \$500.9 million from August 31, 2022 as a result of the reduction in stated capital approved at the Company's Annual General and Special Meeting of Shareholders on January 19, 2023 as well as 785,000 shares repurchased and canceled under the NCIB. Contributed surplus increased predominantly from the reduction in stated capital and the share repurchases under the NCIB.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

The Company's cash and cash equivalents position decreased by \$23.1 million in the second quarter of fiscal 2023 and increased by \$2.9 million in the six months ended February 28, 2023. Free cash flow⁽¹⁾ for the three and six months ended February 2023 was \$28.4 million and \$49.2 million, respectively, compared to \$88.4 million and \$168.4 million in the same comparable prior year periods. The decrease in free cash flow⁽¹⁾ in the second quarter is mainly attributable to a decrease of \$61.6 million in cash provided by operating activities. The decrease in free cash flow⁽¹⁾ for the six months ended February 28, 2023 is mainly attributable to a decrease of \$75.7 million in cash provided by operating activities and a decrease of \$45.3 million in investing activities.

(1) A definition and reconciliation of free cash flow to the consolidated statements of cash flows is provided in the "Key Performance Indicators and Non-GAAP Measures" section of this report

Cash provided by operating activities for the three and six months ended February 28, 2023 was \$30.9 million and \$55.5 million, respectively, compared to \$92.5 million and \$131.2 million for the same comparable prior year periods. The decrease in the current quarter of \$61.6 million arises from lower cash flows from operations of \$56.1 million, which includes increased spends on program rights of \$37.9 million and film investments of \$2.4 million, as well as a reduction of cash provided by working capital of \$5.5 million. For the six months ended February 28, 2023, the \$75.7 million decrease arises from lower cash flows from operations of \$159.5 million, which includes increased spends on program rights of \$102.8 million and film investments of \$8.7 million, offset by a reduction of cash used in working capital of \$83.8 million.

Cash used in investing activities for the quarter was \$2.6 million compared to \$2.1 million in the prior year. The increase in cash used in the quarter was primarily due to the prior year's quarter net cash provided by a business combination of \$2.6 million, net of acquired cash of \$4.8 million, offset by a \$1.7 million decrease in property, plant and equipment spend in the current quarter. Cash used in investing activities for the six months ended February 28, 2023 was \$6.4 million compared to cash provided of \$38.9 million in the prior year. The increase in cash used year-to-date of \$45.3 million was attributable to the venture fund distribution receipt of \$43.5 million and the \$2.6 million business combination, net of acquired cash that occurred in the prior year.

Cash used in financing activities for the three and six months ended February 28, 2023 was \$51.4 million and \$46.2 million, respectively, compared to \$48.3 million and \$118.4 million for the same comparable prior year periods. The increase in cash used in the quarter of \$3.1 million arises principally as a result of an increase on overall debt repayments of \$11.9 million, net of the 2030 Notes issuance of \$250.0 million in the prior year, offset by a \$5.9 million reduction in share repurchases under the NCIB and lower financing fees of \$3.4 million. For the six months ended February 28, 2023, the \$72.2 million decrease in cash used is mainly attributable to lower overall debt repayments of \$67.7 million, net of the 2030 Notes issuance of \$250.0 million in the prior year, a decrease in share repurchases under the NCIB of \$3.8 million and lower financing fees of \$3.4 million, offset by an increase in dividends paid to non-controlling interests of \$2.4 million.

LIQUIDITY

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

As at February 28, 2023, the Company was in compliance with all loan covenants, had a cash and cash equivalents balance of \$57.9 million and had available approximately \$300.0 million under the Revolving Facility, \$241.6 million of which could be drawn. Management believes that cash flow from operations and the existing Credit Facility will provide the Company with sufficient financial resources to fund its operations for the following 12 months.

On February 17, 2023, the Company's credit agreement with a syndicate of banks was amended. The principal amendment was to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including November 30, 2023. For further details on the Credit Facility, refer to note 4 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at February 28, 2023, total capitalization was \$2,239.9 million compared to \$2,245.1 million at August 31, 2022, a decrease of \$5.2 million. The decrease in total capitalization is due to a reduction in lease liabilities of \$5.0 million, a decrease in bank debt of \$1.4 million, an decrease in accumulated deficit of \$4.5 million, offset by an increase in cash and cash equivalents of \$2.9 million.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

On September 28, 2022, the Company entered into a Canadian interest rate swap agreement to fix the interest rate on a portion of its term loan facilities commencing November 30, 2022 (refer to Note 4 of the Company's interim condensed consolidated financial statements for further details).

On December 8, 2022, 1,891,500 shares under a total return swap were settled at a cost of \$4.7 million.

There have been no substantial changes to the Company's foreign exchange forward contracts as reported in Management's Discussion and Analysis in its 2022 Annual Report.

OUTSTANDING SHARE DATA

(shares/units)	As at February 28, 2023	As at August 31, 2022
Shares Outstanding		
Class A Voting Shares	3,371,526	3,371,526
Class B Non-Voting Shares ⁽¹⁾	196,068,632	196,873,632
Stock Options		
Vested	5,747,675	4,852,325
Non-vested	1,513,525	2,730,775

⁽¹⁾ Outstanding shares differ from those reported in the financial statements as financial statements include shares purchased, but not yet cancelled.

KEY PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides non-IFRS or non-GAAP measures as a method of evaluating the Company's performance and to provide a better understanding of how management views the Company's performance. In addition, certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. 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 Company also uses supplementary financial measures to disclose financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-GAAP financial measure. The Company has disclosed optimized advertising revenue and new platform revenue as supplementary financial measures as discussed below.

OPTIMIZED ADVERTISING REVENUE

Optimized advertising revenue is calculated as advertising revenue attributable to audience segment selling and to the Cynch automated buying platform expressed as a percentage of Television advertising revenue. The Company believes this is an important measure to enable the Company and investors to evaluate performance on how Television advertising is sold.

(thousands of Canadian dollars, except percentages)	Three months ended			Six months ended		
	February 28, 2023	2022	%	February 28, 2023	2022	%
			change			change
Optimized advertising revenue (numerator)	87,669	77,237	14%	225,345	182,203	24%
Television advertising revenue (denominator)	169,124	184,695	(8%)	421,637	469,732	(10%)
Optimized advertising revenue percentage	52%	42%		53%	39%	

NEW PLATFORM REVENUE

This metric combines subscriber revenue from streaming initiatives and advertising revenue from digital platforms expressed as a percentage of total Television advertising and subscriber revenue. New platform revenue reflects progress on the Company's participation in rapidly growing streaming distribution platforms and digital advertising markets.

	Three months ended			Six months ended		
	February 28, 2023	February 28, 2022	% change	February 28, 2023	February 28, 2022	% change
(thousands of Canadian dollars, except percentages)						
New platform revenue (numerator)	34,172	33,016	4%	73,860	68,231	8%
Television advertising revenue	169,124	184,695	(8%)	421,637	469,732	(10%)
Television subscriber revenue	124,051	132,823	(7%)	251,566	260,358	(3%)
Total Television advertising and subscriber revenue (denominator)	293,175	317,518	(8%)	673,203	730,090	(8%)
New platform revenue percentage	12%	10%		11%	9%	

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenue less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income (loss) and comprehensive income (loss). Segment profit and segment profit margin may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes these are important measures as they allow the Company to evaluate the operating performance of its business segments or lines of business and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast licence impairment; significant intangible and other asset impairment; debt refinancing; non-cash gains or losses; restructuring and other costs; gain (loss) on dispositions; and certain other income and expenses as included in note 8 to the interim condensed consolidated financial statements. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 10 to the interim condensed consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenue. Segment profit and segment profit margin do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Segment profit and segment profit margin should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

	Three months ended		Six months ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
(thousands of Canadian dollars, except percentages)				
Revenue	343,871	361,661	775,062	825,534
Direct cost of sales, general and administrative expenses	284,736	275,105	584,235	561,808
Segment profit	59,135	86,556	190,827	263,726
Segment profit margin	17%	24%	25%	32%

FREE CASH FLOW

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

(thousands of Canadian dollars)	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities	30,932	92,499	55,523	131,202
Investing activities	(2,606)	(2,061)	(6,387)	38,944
	28,326	90,438	49,136	170,146
Add (deduct): cash used (provided by) in business acquisitions and strategic investments ⁽¹⁾	71	(2,021)	71	(1,742)
Free cash flow	28,397	88,417	49,207	168,404

⁽¹⁾ Strategic investments are comprised of investments in venture funds and associated companies.

ADJUSTED NET INCOME (LOSS) AND ADJUSTED BASIC EARNINGS (LOSS) PER SHARE

Management uses adjusted net income (loss) and adjusted basic earnings (loss) per share as a measure of enterprise-wide performance. Adjusted net income (loss) and adjusted basic earnings (loss) per share are defined as net income (loss) and basic earnings (loss) per share before items such as: non-recurring gains or losses related to dispositions of investments; costs of debt refinancing; non-cash impairment charges; and business acquisition and restructuring costs. Management believes that adjusted net income (loss) attributable to shareholders and adjusted basic earnings (loss) per share are useful measures that facilitate period-to-period operating comparisons. Adjusted net income (loss) attributable to shareholders and adjusted basic earnings (loss) 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 (loss) attributable to shareholders and adjusted basic earnings (loss) per share should not be considered in isolation or as a substitute for net income (loss) or basic earnings (loss) per share attributable to shareholders prepared in accordance with IFRS as issued by the IASB.

(thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Net income (loss) attributable to shareholders	(15,450)	16,221	15,937	92,386
Adjustments, net of income tax:				
Restructuring and other costs	1,570	743	3,649	1,509
Adjusted net income (loss) attributable to shareholders	(13,880)	16,964	19,586	93,895
Basic earnings (loss) per share	(\$0.08)	\$0.08	\$0.08	\$0.44
Adjustments, net of income tax:				
Restructuring and other costs	\$0.01	\$ —	\$0.02	\$0.01
Adjusted basic earnings (loss) per share	(\$0.07)	\$0.08	\$0.10	\$0.45

NET DEBT AND NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	As at February 28, 2023	As at August 31, 2022
Total debt, net of unamortized financing fees and prepayment options	1,260,280	1,261,650
Lease liabilities	129,406	134,369
Cash and cash equivalents	(57,852)	(54,912)
Net debt	1,331,834	1,341,107
Net debt (numerator)	1,331,834	1,341,107
Segment profit (denominator) ⁽¹⁾	370,744	443,643
Net debt to segment profit	3.59	3.02

⁽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

Significant risks and uncertainties affecting the Company and its business are discussed under the heading "Risks and Uncertainties" and "Seasonal Fluctuations" in the 2022 MD&A, as filed at www.sedar.com on October 24, 2022.

As discussed further in the 2022 MD&A, the Company's operating performance is affected by general Canadian and worldwide economic conditions. Changes or volatility in domestic or international economic conditions, economic uncertainty or geopolitical conflict and tensions, including current ongoing factors that can create or exacerbate recessionary conditions, may affect discretionary consumer and business spending, including on advertising and marketing, resulting in changes to demand for Corus' product and services offerings. In addition, the continued elevated consumer price index inflation also affects the Company's business, operations and financial performance through disruption to supply chains, increased costs of programming, services and labour or disruption to availability of labour, reduced advertising demand or spending, or lower demand for the Company's products and services, all of which may lead to decreased revenue or profitability.

Other financial risks which may be related to or elevated by the foregoing include leverage risk related to the Company's financial covenants and debt servicing payments, requirements and compliance under its credit facility, and impacts thereof; the volatility of the market price for the Company's Class B Non-Voting Shares, which can be impacted by factors beyond the Company's control and which can decline even if the Company's operating results, underlying asset values or prospects have not changed; and risks related to the payment, amount or timing of dividends. Please see the 2022 MD&A for a full discussion of these and other risks and uncertainties.

OUTLOOK

Currently, the Company expects its year over year Television advertising revenue in the third quarter will be relatively consistent with the year over year performance in the first quarter of fiscal 2023, given continuing macroeconomic and other risk factors described above and in the 2022 MD&A. While the Company continues to expect improvement in the macro-environment over the medium term, visibility continues to be limited at this time.

The Company recently updated its Capital Allocation Policy, in light of the foregoing as well as considering the continuing low visibility into the macroeconomic environment and, in addition to continuing to take rigorous cost reduction measures, the Company believes it is prudent to conserve cash out of an abundance of caution. Updates to the Capital Allocation Policy include the non-renewal of the Company's share buyback program when it expired on January 16, 2023 and a reduction in its annual dividend rates effective March 31, 2023. The Company expects this redeployment of capital to be directed to debt repayment.

IMPACT OF NEW ACCOUNTING POLICIES

The IASB continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's February 28, 2023 unaudited interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2023

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2022. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 3 – Business Combinations (“IFRS 3”)

Amendments to IFRS 3 were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 - *Provisions, Contingent Liabilities and Contingent Assets* be used to identify liabilities and contingent assets arising from business combinations. The Company has concluded that there is no impact of adopting these amendments on its interim condensed consolidated financial statements.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)

Amendments to IAS 37 were issued in May 2020, and are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no impact of adopting these amendments on its interim condensed consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS. For details of the Company's significant accounting policies under IFRS, refer to note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended February 28, 2023 and the Company's annual consolidated financial statements for the year ended August 31, 2022. For details of the Company's critical accounting estimates and assumptions under IFRS, refer to Management's Discussion and Analysis in its 2022 Annual Report.

CONTROLS AND PROCEDURES

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred in the second quarter ended February 28, 2023 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

CORUS ENTERTAINMENT INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	As at February 28, 2023	As at August 31, 2022
ASSETS		
Current		
Cash and cash equivalents	57,852	54,912
Accounts receivable	329,023	311,015
Income taxes recoverable	13,751	17,180
Prepaid expenses and other assets	27,482	21,423
Total current assets	428,108	404,530
Tax credits receivable	44,800	32,744
Investments and other assets	62,617	63,931
Property, plant and equipment	277,302	294,026
Program rights	777,597	660,722
Film investments	73,296	59,122
Intangibles	1,629,601	1,620,796
Goodwill	316,308	316,308
Deferred income tax assets	47,429	50,301
	3,657,058	3,502,480
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	637,569	526,899
Current portion of long-term debt (note 4)	15,426	15,574
Provisions	5,665	8,540
Total current liabilities	658,660	551,013
Long-term debt (note 4)	1,244,854	1,246,076
Other long-term liabilities	430,471	376,570
Provisions	7,265	9,830
Deferred income tax liabilities	407,725	415,010
Total liabilities	2,748,975	2,598,499
EQUITY		
Share capital (note 5)	281,052	781,918
Contributed surplus	2,012,464	1,511,481
Accumulated deficit	(1,569,976)	(1,574,358)
Accumulated other comprehensive income	34,915	33,000
Total equity attributable to shareholders	758,455	752,041
Equity attributable to non-controlling interests	149,628	151,940
Total equity	908,083	903,981
	3,657,058	3,502,480

See accompanying notes

CORUS ENTERTAINMENT INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended		Six months ended	
	February 28,		February 28,	
(unaudited - in thousands of Canadian dollars, except per share amounts)	2023	2022	2023	2022
Revenue	343,871	361,661	775,062	825,534
Direct cost of sales, general and administrative expenses (note 6)	284,736	275,105	584,235	561,808
Depreciation and amortization	40,282	39,747	80,416	77,128
Interest expense (note 7)	34,751	25,759	69,123	51,281
Restructuring and other costs	2,137	1,011	4,966	2,054
Other expense (income), net (note 8)	1,375	(5,938)	8,421	(2,801)
Income (loss) before income taxes	(19,410)	25,977	27,901	136,064
Income tax expense (recovery) (note 9)	(4,491)	6,029	8,222	35,187
Net income (loss) for the period	(14,919)	19,948	19,679	100,877
Other comprehensive income, net of income taxes				
Items that may be reclassified subsequently to income (loss):				
Unrealized change in fair value of cash flow hedges (note 4)	2,336	1,515	1,294	3,501
Unrealized foreign currency translation adjustment	423	(225)	1,309	32
	2,759	1,290	2,603	3,533
Items that will not be reclassified to income (loss):				
Unrealized change in fair value of financial assets	(365)	(2,912)	(688)	10,668
Actuarial gain on post-retirement benefit plans	1,489	3,128	547	2,460
	1,124	216	(141)	13,128
Other comprehensive income, net of income taxes	3,883	1,506	2,462	16,661
Comprehensive income (loss) for the period	(11,036)	21,454	22,141	117,538
Net income (loss) attributable to:				
Shareholders	(15,450)	16,221	15,937	92,386
Non-controlling interests	531	3,727	3,742	8,491
	(14,919)	19,948	19,679	100,877
Comprehensive income (loss) attributable to:				
Shareholders	(11,567)	17,727	18,399	109,047
Non-controlling interests	531	3,727	3,742	8,491
	(11,036)	21,454	22,141	117,538
Earnings (loss) per share attributable to shareholders:				
Basic	(\$0.08)	\$0.08	\$0.08	\$0.44
Diluted	(\$0.08)	\$0.08	\$0.08	\$0.44

See accompanying notes

CORUS ENTERTAINMENT INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interests	Total equity
As at August 31, 2022	781,918	1,511,481	(1,574,358)	33,000	752,041	151,940	903,981
Comprehensive income	—	—	15,937	2,462	18,399	3,742	22,141
Dividends declared	—	—	(11,505)	—	(11,505)	(10,073)	(21,578)
Reduction of stated capital (note 5)	(500,000)	500,000	—	—	—	—	—
Change in fair value of put option liability	—	—	(597)	—	(597)	164	(433)
Shares repurchased under normal course issuer bid ("NCIB") (note 5)	(3,089)	1,119	—	—	(1,970)	—	(1,970)
Reversal of automatic share purchase commitment (note 5)	2,223	(504)	—	—	1,719	—	1,719
Actuarial gain on post-retirement benefit plans	—	—	547	(547)	—	—	—
Share-based compensation expense	—	368	—	—	368	—	368
Equity funding by a non-controlling interest	—	—	—	—	—	3,855	3,855
As at February 28, 2023	281,052	2,012,464	(1,569,976)	34,915	758,455	149,628	908,083

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income	Total equity attributable to shareholders	Non-controlling interests	Total equity
As at August 31, 2021	816,189	1,512,431	(1,282,897)	21,811	1,067,534	152,829	1,220,363
Comprehensive income	—	—	92,386	16,661	109,047	8,491	117,538
Dividends declared	—	—	(24,996)	—	(24,996)	(6,625)	(31,621)
Business acquisition	—	—	—	—	—	436	436
Change in fair value of put option liability arising from business acquisition	—	—	(1,421)	—	(1,421)	(257)	(1,678)
Share repurchase under NCIB	(4,919)	(1,439)	—	—	(6,358)	—	(6,358)
Share repurchase commitment under NCIB	(1,338)	(386)	—	—	(1,724)	—	(1,724)
Actuarial gain on post-retirement benefit plans	—	—	2,460	(2,460)	—	—	—
Share-based compensation expense	—	611	—	—	611	—	611
Equity funding by a non-controlling interest	—	—	—	—	—	5,719	5,719
As at February 28, 2022	809,932	1,511,217	(1,214,468)	36,012	1,142,693	160,593	1,303,286

See accompanying notes

CORUS ENTERTAINMENT INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Six months ended	
	February 28,		February 28,	
(unaudited - in thousands of Canadian dollars)	2023	2022	2023	2022
OPERATING ACTIVITIES				
Net income (loss) for the period	(14,919)	19,948	19,679	100,877
Adjustments to reconcile net income (loss) to cash flow from operations:				
Amortization of program rights (note 6)	143,551	133,928	295,940	276,120
Amortization of film investments (note 6)	6,234	3,473	10,509	7,084
Depreciation and amortization	40,282	39,747	80,416	77,128
Deferred income tax recovery	(3,575)	(2,439)	(8,559)	(2,481)
Share-based compensation expense	102	317	368	611
Imputed interest (note 7)	15,179	11,869	31,356	23,140
Payment of program rights	(173,932)	(136,037)	(333,047)	(230,208)
Net spend on film investments	(14,691)	(12,329)	(36,275)	(27,594)
Other	(491)	(4,652)	141	(4,654)
Cash flow from operations	(2,260)	53,825	60,528	220,023
Net change in non-cash working capital balances related to operations	33,192	38,674	(5,005)	(88,821)
Cash provided by operating activities	30,932	92,499	55,523	131,202
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(2,426)	(4,171)	(5,373)	(6,047)
Proceeds from sale of property	247	100	340	125
Business combination, net of cash acquired	—	2,606	—	2,606
Venture fund distribution	—	—	—	43,478
Net cash flows for intangibles, investments and other assets	(427)	(596)	(1,354)	(1,218)
Cash provided by (used in) investing activities	(2,606)	(2,061)	(6,387)	38,944
FINANCING ACTIVITIES				
Decrease in bank loans	(33,127)	(271,225)	(2,070)	(319,758)
Financing fees	(998)	(4,400)	(998)	(4,400)
Issuance of senior unsecured notes	—	250,000	—	250,000
Share repurchase under NCIB	—	(5,850)	(2,045)	(5,850)
Equity funding by a non-controlling interest	3,855	3,742	3,855	3,742
Payment of lease liabilities	(4,438)	(4,153)	(8,813)	(8,168)
Dividends paid	(11,962)	(12,499)	(23,965)	(24,996)
Dividends paid to non-controlling interests	(3,710)	(3,700)	(10,073)	(6,625)
Other	(1,006)	(215)	(2,087)	(2,326)
Cash used in financing activities	(51,386)	(48,300)	(46,196)	(118,381)
Net change in cash and cash equivalents during the period	(23,060)	42,138	2,940	51,765
Cash and cash equivalents, beginning of the period	80,912	53,312	54,912	43,685
Cash and cash equivalents, end of the period	57,852	95,450	57,852	95,450

Supplemental cash flow disclosures (note 11)

See accompanying notes

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

1. CORPORATE INFORMATION

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

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

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

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2022, 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, 2022, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three and six months ended February 28, 2023 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 12, 2023.

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.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2023

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2022.

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

IFRS 3 – Business Combinations ("IFRS 3")

Amendments to IFRS 3 were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") be used to identify liabilities and contingent assets arising from business combinations. The Company has concluded that there is no impact of adopting these amendments on its interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37 were issued in May 2020, and are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract, which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no impact of adopting these amendments on its interim condensed consolidated financial statements.

PENDING ACCOUNTING CHANGES

IAS 1 – Presentation of Financial Statements (“IAS 1”)

In January 2020, the IASB issued an amendment to IAS 1, which affects only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its interim condensed consolidated financial statements.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

Amendments to IAS 8 were issued in February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its interim condensed consolidated financial statements.

IAS 12 – Income Taxes (“IAS 12”)

Amendments to IAS 12 were issued in May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its interim condensed consolidated financial statements.

4. LONG-TERM DEBT

	February 28, 2023	August 31, 2022
Senior unsecured notes	750,000	750,000
Bank loans	504,338	505,577
Interim production financing	15,426	15,574
Unamortized financing fees and prepayment options	(9,484)	(9,501)
	1,260,280	1,261,650
Less: current portion of long-term debt ⁽¹⁾	(15,426)	(15,574)
	1,244,854	1,246,076

⁽¹⁾ This relates to interim production financings.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

Interest rates on the bank loans under the Amended Credit Agreement dated February 17, 2023 (the "Credit Facility") fluctuate with Canadian bankers' acceptances. The Company has 5.0% Senior Unsecured Notes of \$500.0 million due 2028 issued in fiscal 2021 (the "2028 Notes") and the 6.0% Senior Unsecured Notes of \$250.0 million due 2030 (the "2030 Notes" and, together with the 2028 Notes, collectively referred to hereafter as the "Notes") issued on February 28, 2022. As at February 28, 2023, the weighted average interest rate on the outstanding bank loans and Notes was 5.9% (February 28, 2022 – 4.7%). The effective interest on the bank loans and Notes for the three and six months ended February 28, 2023 averaged 6.0% and 5.8%, respectively (February 28, 2022 – 4.2% for both comparable periods).

Amounts drawn under the interim production financing facility bear interest at the prime rate plus an applicable margin. As at February 28, 2023, interest rates ranged from 7.45% to 7.7% (February 28, 2022 – 3.35% to 3.45%) on these loans. The financial institutions hold, as security, a first ranking charge on the assets and undertakings, including receivables, of the productions.

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 Credit Facility, as amended from time to time. Under the Credit 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 Credit Facility as at February 28, 2023.

CREDIT FACILITIES AND SENIOR UNSECURED NOTES

The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Credit Facility or the Senior Unsecured Notes with the accretion recognized within interest expense on the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

Senior Unsecured Notes

The Notes are senior unsecured obligations guaranteed by certain of the Company's subsidiaries and contain covenants that limit the Company's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Notes is paid semi-annually.

At any time prior to May 11, 2024 (first optional early redemption date for the 2028 Notes), the Company may redeem all or part of the 2028 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at a redemption price that is no less than 101% of the principal amount of the 2028 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after May 11, 2024, the Company may redeem all or part of the 2028 Notes at the redemption price of 102.5% to May 11, 2025, 101.25% to May 11, 2026 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

At any time prior to February 28, 2025 (first optional early redemption date for the 2030 Notes), the Company may redeem all or part of the 2030 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at a redemption price that is no less than 101% of the principal amount of the 2030 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after February 28, 2025, the Company may redeem all or part of the 2030 Notes at the redemption price of 103% to February 28, 2026, 101.5% to February 28, 2027 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

The prepayment options associated with the Notes were fair valued at the time of debt issuance. The initial value of the prepayment options related to the Notes was a \$9.6 million increase to indebtedness. This liability has been subsequently amortized using the effective interest rate method and as at February 28, 2023 was \$8.0 million.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

Term Facility

On February 17, 2023, the Credit Facility was amended. The principal amendment was to increase the maximum total debt to cash flow ratio required under the financial covenants up to and including November 30, 2023. The amendment of the Credit Facility resulted in the Company recording additional deferred financing fees of \$1.0 million.

On March 18, 2022, the Credit Facility was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and the Revolving Facility to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility. Net proceeds from the 2030 Notes issued on February 28, 2022 were used for repayment of the Term Facility and resulted in the Company recording net debt refinancing costs of \$0.8 million for the non-cash write-off of unamortized financing fees. The March 18, 2022 amendment and restatement of the Credit Facility resulted in the Company recording a net debt refinancing gain of approximately \$4.2 million. As at February 28, 2023, the Term Facility balance was \$504.3 million with a maturity date of March 18, 2027. 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.

Revolving Facility

With the amendment and restatement of the Credit Facility effective March 18, 2022, the maturity was extended to March 18, 2027. 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, Secured Overnight Financing Rate ("SOFR") advance or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at February 28, 2023, the Company has approximately \$300.0 million under the Revolving Facility, \$241.6 million of which could be drawn.

Interim Production Financing

A non-wholly owned subsidiary of Corus has incurred revolving demand loans with certain financial institutions as interim financing for film or television productions. As at February 28, 2023, four interim financing agreements for television productions are drawn in the total amount of \$15.4 million.

INTEREST RATE SWAP AGREEMENTS

On September 28, 2022, the Company entered into a Canadian interest rate swap agreement to fix the interest rate at 3.818%, plus applicable margins on \$250.0 million of its outstanding Term Facility, which commenced on November 30, 2022 and expires on February 26, 2027. The counterparties of the swap agreement 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 had assessed that there was no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreement were recognized in other comprehensive income. The estimated fair value of these agreements as at February 28, 2023 was an asset of \$1.8 million (August 31, 2022 – \$nil). The effectiveness of the hedging relationship was reviewed on a quarterly basis.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

TOTAL RETURN SWAPS

The Company had total return swap agreements on 1,706,000 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at February 28, 2023 was a liability of \$5.1 million (August 31, 2022 – liability of \$4.0 million), which has been recorded in the interim condensed consolidated statements of financial position as an other long-term liability and within employee costs in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) (note 6).

On December 8, 2022, 1,891,500 shares under a total return swap were settled at a cost of \$4.7 million.

FORWARD CONTRACTS

All foreign exchange forward contracts fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. As at February 28, 2023, the total amount of foreign exchange forward contracts outstanding was \$60.0 million U.S. dollars. The forward contracts are not designated as hedges for accounting purposes and as a result are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair values of future cash flow of the U.S. dollar forward contract derivatives change with fluctuations in the foreign exchange rate of U.S. dollars to Canadian dollars. The estimated fair value of these agreements as at February 28, 2023 was an asset of \$3.4 million (August 31, 2022 – asset of \$1.6 million), which has been recorded in the interim condensed consolidated statements of financial position as investments and other assets, and within other expense (income), net (note 8) in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

5. 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		Class B		Total
	Voting Shares		Non-Voting Shares		
	#	\$	#	\$	\$
Balance – August 31, 2022	3,371,526	9,326	196,288,632	772,592	781,918
Reduction of stated capital ⁽¹⁾	—	(6,000)	—	(494,000)	(500,000)
Shares repurchased under NCIB	—	—	(785,000)	(3,089)	(3,089)
Reversal of automatic share purchase commitment	—	—	565,000	2,223	2,223
Balance – February 28, 2023	3,371,526	3,326	196,068,632	277,726	281,052

⁽¹⁾ Reduction in stated capital approved at the Company's Annual General and Special Meeting of Shareholders on January 19, 2023.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Net income (loss) attributable to shareholders (numerator)	(15,450)	16,221	15,937	92,386
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	199,440	208,093	199,583	208,231
Effect of dilutive securities	—	346	—	510
Weighted average number of shares outstanding – diluted	199,440	208,439	199,583	208,741

The calculation of diluted earnings per share for the three and six months ended February 28, 2023 excluded 7,404 and 7,481, respectively (February 28, 2022 – 5,355 and 5,102) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

DIVIDENDS

On March 6, 2023, the Company declared quarterly dividends of \$0.02875 and \$0.03 per share payable March 31, 2023 to holders of its Class A Voting and Class B Non-Voting Shares, respectively.

SHARE-BASED COMPENSATION

Share-based compensation recorded for the second quarter and year-to-date of fiscal 2023 in respect of Stock Options as well as the Performance Share Units, Deferred Share Units and Restricted Share Units plans was an expense recovery of \$289 and \$1,066 (2022 – expense of \$1,012 and \$3,262). As at February 28, 2023, the carrying value of the liability for these plans was \$8,291 (August 31, 2022 – \$16,949).

NORMAL COURSE ISSUER BID ("NCIB")

On January 13, 2022, the Company announced that the TSX had accepted the notice filed by the Company for the renewal of an NCIB for its Class B Non-Voting Shares through the facilities of the TSX, and/or other alternative Canadian trading systems. The Company may purchase for cancellation a maximum of 9,669,705 Class B Non-Voting Shares during the period from January 17, 2022 through January 16, 2023.

On August 9, 2022, the Company announced that the TSX had accepted the notice filed by the Company to amend its NCIB for its Class B Non-Voting Shares. The principle amendment increases the maximum number of Class B Non-Voting Shares that may be repurchased from 9,669,705 Class B Non-Voting Shares to 19,339,410 Class B Non-Voting Shares. The NCIB was not renewed upon expiration of the term on January 16, 2023.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

The shares purchased for cancellation are as follows:

	#	\$	Average per share \$
January 2022	300,000	1,480	4.93
February 2022	949,600	4,878	5.14
March 2022	395,000	1,967	4.98
April 2022	500,000	2,275	4.55
May 2022	3,223,000	13,379	4.15
June 2022	1,454,600	5,882	4.04
July 2022	874,700	3,184	3.64
August 2022	445,000	1,721	3.87
Fiscal 2022	8,141,900	34,766	4.27

	#	\$	Average per share \$
September 2022 ⁽¹⁾	435,000	1,163	2.67
October 2022	350,000	807	2.31
Fiscal 2023	785,000	1,970	2.51

⁽¹⁾ Amount does not include the reversal of an automatic share purchase commitment from August 31, 2022 of 565,000 shares at \$1.7 million, net of 435,000 shares purchased at \$1.2 million.

6. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
Direct cost of sales				
Amortization of program rights	143,551	133,928	295,940	276,120
Amortization of film investments	6,234	3,473	10,509	7,084
Other cost of sales	9,690	10,170	20,437	20,008
General and administrative expenses				
Employee costs	79,699	83,451	159,833	166,443
Other general and administrative	45,562	44,083	97,516	92,153
	284,736	275,105	584,235	561,808

7. INTEREST EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
Interest on long-term debt (note 4)	19,059	13,477	36,717	27,323
Imputed interest on long-term liabilities	15,179	11,869	31,356	23,140
Other	513	413	1,050	818
	34,751	25,759	69,123	51,281

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

8. OTHER EXPENSE (INCOME), NET

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Foreign exchange loss (gain) (note 4)	2,774	(799)	7,671	2,800
Equity gain of associates	(34)	(1)	(40)	(35)
Fair value loss (gain) on Notes prepayment options	356	(4,953)	1,961	(4,953)
Other income	(1,721)	(185)	(1,171)	(613)
	1,375	(5,938)	8,421	(2,801)

9. INCOME TAXES

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

	2023		Six months ended February 28, 2022	
	\$	%	\$	%
Income tax at combined federal and provincial rates	7,325	26.3	35,896	26.4
Income subject to tax at less than statutory rates	(22)	(0.1)	(349)	(0.2)
Non-taxable portion of capital gains	(30)	(0.1)	(4)	—
Impact of valuation allowance recorded against future income tax assets	—	—	(509)	(0.4)
Transaction costs	(19)	—	(29)	—
Increase of various tax reserves	36	0.1	83	—
Miscellaneous differences	932	3.3	99	—
	8,222	29.5	35,187	25.8

10. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment comprises 33 specialty television networks, 15 conventional television stations, digital and streaming services, a social media digital agency, a social media creator network, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and technology and media services. Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and technology and media service sales.

RADIO

The Radio segment comprises 39 radio stations, situated primarily in urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. Revenue is 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.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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Management evaluates each segment's performance based on revenue less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements, except as described in note 3.

REVENUE AND SEGMENT PROFIT

Three months ended February 28, 2023	Television	Radio	Corporate	Consolidated
Revenue	321,548	22,323	—	343,871
Direct cost of sales, general and administrative expenses	258,529	21,973	4,234	284,736
Segment profit (loss)	63,019	350	(4,234)	59,135
Depreciation and amortization				40,282
Interest expense				34,751
Restructuring and other costs				2,137
Other expense, net				1,375
Loss before income taxes				(19,410)

Three months ended February 28, 2022	Television	Radio	Corporate	Consolidated
Revenue	339,661	22,000	—	361,661
Direct cost of sales, general and administrative expenses	246,938	21,875	6,292	275,105
Segment profit (loss)	92,723	125	(6,292)	86,556
Depreciation and amortization				39,747
Interest expense				25,759
Restructuring and other costs				1,011
Other income, net				(5,938)
Income before income taxes				25,977

Six months ended February 28, 2023	Television	Radio	Corporate	Consolidated
Revenue	723,077	51,985	—	775,062
Direct cost of sales, general and administrative expenses	528,299	45,613	10,323	584,235
Segment profit (loss)	194,778	6,372	(10,323)	190,827
Depreciation and amortization				80,416
Interest expense				69,123
Restructuring and other costs				4,966
Other expense, net				8,421
Income before income taxes				27,901

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
February 28, 2023

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

Six months ended February 28, 2022	Television	Radio	Corporate	Consolidated
Revenue	774,408	51,126	—	825,534
Direct cost of sales, general and administrative expenses	502,799	45,255	13,754	561,808
Segment profit (loss)	271,609	5,871	(13,754)	263,726
Depreciation and amortization				77,128
Interest expense				51,281
Restructuring and other costs				2,054
Other income, net				(2,801)
Income before income taxes				136,064

Revenue is derived from the following areas:

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Advertising	190,294	205,539	471,061	518,313
Subscriber	124,051	132,823	251,566	260,358
Distribution, production and other	29,526	23,299	52,435	46,863
	343,871	361,661	775,062	825,534

11. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
Interest paid	17,335	8,007	37,910	28,588
Interest received	1,223	75	1,652	91
Income taxes paid	7,215	18,949	7,472	33,960