



***Fourth Quarter 2016
Report to Shareholders***

***For the Three Months and Year Ended August 31, 2016
(Unaudited)***

TABLE OF CONTENTS

<i>Highlights</i>	<i>3</i>
<i>Significant Events in the Quarter</i>	<i>4</i>
<i>Significant Events Subsequent to the Quarter</i>	<i>4</i>
<i>Management's Discussion and Analysis</i>	<i>6</i>
<i>Overview of Consolidated Results</i>	<i>7</i>
<i>Television</i>	<i>11</i>
<i>Radio</i>	<i>13</i>
<i>Corporate</i>	<i>14</i>
<i>Quarterly Consolidated Financial Information</i>	<i>14</i>
<i>Financial Position</i>	<i>16</i>
<i>Liquidity and Capital Resources</i>	<i>17</i>
<i>Outstanding Share Data</i>	<i>21</i>
<i>Key Performance Indicators</i>	<i>21</i>
<i>Risks and Uncertainties</i>	<i>24</i>
<i>Impact of New Accounting Policies</i>	<i>27</i>
<i>Controls and Procedures</i>	<i>27</i>
<i>Consolidated Financial Statements and Notes</i>	<i>28</i>

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Highlights

Financial Highlights

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

	Three months ended		Year ended	
	2016	2015	2016	2015
Revenues				
Television	347,283	154,338	1,015,609	653,770
Radio	37,184	39,261	155,705	161,545
	384,467	193,599	1,171,314	815,315
Segment profit ⁽¹⁾				
Television	106,817	52,575	404,225	260,129
Radio	8,509	8,503	36,159	37,007
Corporate	(9,955)	(5,585)	(29,370)	(19,949)
	105,371	55,493	411,014	277,187
Net income (loss) attributable to shareholders	25	17,835	125,931	(25,154)
Adjusted net income attributable to shareholders ^{(1) (2)}	14,535	23,967	129,033	135,922
Basic earnings (loss) per share	\$ 0.00	\$ 0.21	\$ 0.96	\$ (0.29)
Adjusted basic earnings per share ^{(1) (2)}	\$ 0.07	\$ 0.28	\$ 0.98	\$ 1.57
Diluted earnings (loss) per share	\$ 0.00	\$ 0.21	\$ 0.96	\$ (0.29)
Free cash flow ⁽¹⁾	61,397	45,170	188,165	201,213

⁽¹⁾ Segment profit, adjusted segment profit, adjusted net income attributable to shareholders, adjusted basic earnings per share, and free cash flow do not have standardized meanings prescribed by IFRS. The Company believes these non-IFRS measures are frequently used as key measures to evaluate performance. For definitions and explanations, see discussion under the Key Performance Indicators section of the Fiscal 2016 Report to Shareholders.

⁽²⁾ For the three months ended August 31, 2016, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of \$19.6 million (\$0.07 per share). For the year ended August 31, 2016, adjusted net income attributable to shareholders represents net income attributable to shareholders adjusted to include amortization of disposed Pay TV programming assets of \$15.6 million (\$0.09 per share) and excludes business acquisition, integration and restructuring charges of \$57.2 million (\$0.35 per share), a gain on the disposal of the Pay TV disposal group of \$86.2 million (\$0.58 per share), and debt refinancing costs of \$61.2 million (\$0.34 per share). For the three months ended August 31, 2015, adjusted net income attributable to shareholders excludes business acquisition, integration and restructuring charges of \$8.3 million (\$0.07 per share). For the year ended August 31, 2015, adjusted net income attributable to shareholders excludes radio broadcast license and goodwill impairment charges of intangible asset impairment charges of \$130.0 million (\$1.44 per share), intangible impairment charges of \$51.8 million (\$0.44 per share), business acquisition, integration and restructuring charges of \$19.0 million (\$0.15 per share), offset by a gain on distribution of investment of \$17.0 million (\$0.17 per share).

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Significant Events in the Quarter

- On June 4, 2016, the Company announced its wins at the 2015 Radio Television Digital News Association Awards, including 21 awards in the Television category and five awards in the Radio category, as well as three Lifetime Achievement Awards for Global Television personalities Gord Steinke, Clive Jackson and Allan Rowe.
- On June 7, 2016, the Company announced its 2016/2017 programming lineup across its specialty television portfolio and its primetime lineup for Global, which includes the addition of 11 of the most sought-after new series for the season. This powerful slate of programming was unveiled to advertisers and the press at Corus' first Upfront, held in Toronto on June 9, 2016.
- On June 8, 2016, the Company announced the retirement of founding Executive Vice President and Chief Financial Officer, Tom Peddie, at the end of August 2016. Mr. Peddie's financial leadership was instrumental to the growth of Corus, with revenues increasing from \$150.0 million to \$1.8 billion over his 17-year tenure. The Company also announced the appointment of his successor, John Gossling, as Executive Vice President and Chief Financial Officer.
- On June 16, 2016, the Company announced it had expanded its strategic relationship with Cartoon Network. The new, multi-year broadcast and merchandise deal features Corus' subsidiary, Nelvana, as the exclusive merchandising agent for Cartoon Network's iconic brands in Canada, including *The Powerpuff Girls*, *Adventure Time*, *Steven Universe*, *Ben 10* and more.
- On June 20, 2016, the Company's subsidiary Nelvana, in association with Sony Pictures Animation, announced the licensing of global broadcast and on-demand rights for animated series, *Hotel Transylvania: The Television Series* to Disney Channels Worldwide. The series is slated to air on Disney Channel in the U.S., Canada, Europe (excluding Germany), Latin America, Australia/New Zealand, Africa, the Middle East and Asia in 2017.
- On June 30, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On July 25, 2016, the Company launched the Disney Junior App, an interactive app for mobile and tablet devices, giving Disney Junior subscribers access to exclusive content and full-length episodes of its top-rated shows, anywhere and anytime they want. The App can be downloaded from the iTunes App Store or Google Play in Canada, and marks the seventh App to be added to Corus' portfolio of kids' digital properties.
- On July 29, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On August 29, 2016, the Company's Nelvana announced a multi-territory broadcast and on-demand rights deal for a new series, based on the popular heritage ZhuZhu Pets brand, to Disney Channels worldwide. This animated children's television series is inspired by the successful toy phenomenon that swept the Zhuniverse beginning in 2009.
- On August 31, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.

Significant Events Subsequent to the Quarter

- On September 1, 2016, the Company's Global News announced its flagship newscast, *Global National*, would be expanding to four additional television stations including CKSA, a Newcap-owned television station in Lloydminster, as well as Corus-owned stations CKWS Kingston, CHEX Peterborough and Channel 12 Durham.
- On September 6, 2016, the Company announced a newly refreshed Treehouse App, available on iPhone, iPad, iPod and now Apple TV. The App offers users over 1,500 episodes of favourite kids series including *Babar*, *Dora the Explorer*, *The Backyardigans* and *Franklin and Friends*.

CORUS ENTERTAINMENT INC.

Fourth Quarter 2016 Report to Shareholders

- On September 11, 2016, the Company's CMT was recognized with a 2016 Canadian Country Music Association Award for its program *Chevy Top 20 Countdown* in the category of Country Music Special/Program of the Year. CMT's Paul McGuire was also presented with a 2016 Country Music Association International Country Broadcaster Award.
- On September 11, 2016, the Company's Edmonton radio station, 103.9 CISN COUNTRY (CISN-FM), was recognized as Radio Station of the Year (Large Market) at the 2016 Canadian Country Music Association Awards. *CISN in the Mornings with Chris, Jack & Mat* also received a nod as they tied for On-Air Personalities of the Year (Large Market).
- On September 19, 2016, the Company received a 2016 Gémeaux Award in the category of Best Animation Program or Series for its Téléttoon series *Au pays des têtes à claques*.
- On September 19, 2016, the Company announced multiple new international content deals for three of its original series. With this expanded worldwide presence, *Masters of Flip* is now available in more than 90 territories; *Buying the View* is now available in more than 60 territories; and *Cheer Squad* has expanded into Australia.
- On September 21, 2016, the Company announced the continued growth of its original content portfolio with three unscripted, lifestyle series for international sale at MIPCOM, including *Home to Win* (10×60), *Backyard Builds* (8×30) and *Save My Reno* (14×30).
- On September 26, 2016, the Canadian Radio-television and Telecommunications Commission called for comments on its proposal to merge the regulations for specialty and pay television services into a single set of regulations, to be known as the Discretionary Services Regulations. The deadline for public comment is October 31, 2016.
- On September 28, 2016, the Company and Canada's leading radio broadcasters joined forces with Radioplayer, a UK-based digital radio streaming service, to bring Canadians free, easily accessible digital radio on any connected device. Launching later this year, Radioplayer will give Canadians immediate access to their favourite English and French entertainment, news, sports and talk radio stations powered by 15 Canadian radio broadcasters.
- On September 30, 2016, the Company paid a monthly dividend of \$0.094583 and \$0.095 per share to holders of its Class A and Class B Shares, respectively.
- On October 4, 2016, the Company's Global became the most-watched network in primetime for premiere week. The Network's core primetime audience has grown year over year across all key demos including: 14% (2+), 3% (A18-34), 7% (A18-49), and 9% (A25-54). Global also claimed 3 of the top 5 new series with *Bull*, *MacGyver* and *Kevin Can Wait* grabbing top spots across all key demos.
- On October 6, 2016, the Company's subsidiary Nelvana announced deals with 10 new consumer products partners in France for the hit animated series *Super Wings*, including AD Global for toys and Canal Toys for arts & crafts. Nelvana also holds the merchandise licensing rights for the popular series in North America, where it represents *Super Wings* in all categories except toys.
- On October 11, 2016, the Company announced that its seven leading news talk stations are available to audiences free on Apple Music, making Corus Radio the first Canadian commercial radio company available on Apple Music. Listeners in over 100 countries can now stream CKNW AM 980 (Vancouver), News Talk 770 (Calgary), 630 CHED (Edmonton), 680 CJOB (Winnipeg), AM 980 (London), AM 900 CHML (Hamilton) and AM 640 (Toronto) with Apple Music on iPhone, iPad, Mac, Apple TV and Apple Carplay.
- On October 17, 2016, the Company's Nelvana subsidiary entered into a partnership with Sesame Workshop to produce *Esme and Roy* (working title), a new animated children's series that teaches the importance of mindfulness and learning through play. The series will debut on HBO in the U.S. and then on Corus' Treehouse in Canada.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2016 is prepared at September 30, 2016. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's August 31, 2015 Annual Report and the 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 consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

Cautionary statement regarding forward-looking statements

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

This document contains forward-looking statements about expected future events and financial operating performance of the Company.

For a discussion on the Company's results of operations for fiscal 2015, we refer you to the Company's Annual Report for the year ended August 31, 2015 filed on SEDAR on November 5, 2015.

The following discussion describes the significant changes in the consolidated results from operations.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Overview of Consolidated Results

Commencing April 1, 2016, 100% of the operating results of Shaw Media Inc. (the “Acquisition” or “Shaw Media”), as well as its assets and liabilities have been fully consolidated as a business combination in accordance with IFRS 3 – *Business Combinations* and, as a result, Shaw Media has been accounted for by applying the acquisition method as of that date. Shaw Media has been reported as part of the Television segment (refer to note 18 of the Company’s interim condensed consolidated financial statements for further details).

For fiscal 2016, certain of Corus’ Pay Television business’ (“Pay TV”) assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The Company’s business activities are conducted through two operating segments, Television and Radio. The disposal group, Pay TV, is not a separate operating segment, but it is included as part of the Television operating segment. Accordingly, the disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remain in continuing operations in the consolidated statement of income and comprehensive income for the year ended August 31, 2016. However, intangible assets classified as held for disposal ceased being amortized effective November 19, 2015 and as a consequence, amortization of program and film rights in the Television segment for the year ended August 31, 2016 is lower by approximately \$15.6 million, than it would have been had amortization on these assets not ceased. On February 29, 2016, the Pay TV disposition was completed and the related proceeds and gain associated with this disposal group were recognized (refer to note 18 of the Company’s interim condensed consolidated financial statements for further details).

Revenues

Consolidated revenues for the fourth quarter of fiscal 2016 of \$384.5 million were up 99% compared to \$193.6 million in the prior year. On a consolidated basis, advertising revenues, subscriber revenues, and merchandising, distribution and other revenues increased 176%, 50%, and 15%, respectively. Revenues increased in Television by 125%, but decreased in Radio by 5% in the fourth quarter compared to the prior year. The significant increase in revenues is mainly attributable to the Acquisition, of which its operating results are included in the Television segment since April 1, 2016, offset by the shutdown of the Pay TV business effective February 29, 2016, and the decrease in the Radio revenues. The Shaw Media business contributed \$220.4 million in total revenues for the fourth quarter of fiscal 2016. The Pay TV business contributed \$31.6 million in total revenues for the fourth quarter of fiscal 2015.

For the year ended August 31, 2016, consolidated revenues of \$1,171.3 million were up 44% from \$815.3 million in the prior year. On a consolidated basis, advertising revenues, subscriber revenues, and merchandising, distribution and other revenues increased by 70%, 19% and 23%, respectively. Revenues increased in Television by 55%, but decreased in Radio by 4% in the current year compared to the prior year. The significant increase in revenues is mainly attributable to the Acquisition, of which its operating results are included in the Television segment since April 1, 2016, offset by the shutdown of the Pay TV business effective February 29, 2016. Shaw Media contributed \$407.3 million in total revenues for the five months ended August 31, 2016.

Further analysis of revenues is provided in the discussions of segmented results.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the fourth quarter of fiscal 2016 of \$279.1 million were up 102% from \$138.1 million in the prior year. On a consolidated basis, direct cost of sales increased 94%, other general and administrative expenses increased by 93% and employee costs increased by 125%.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

For the year ended August 31, 2016, direct cost of sales, general and administrative expenses of \$760.3 million were up 41% from \$538.1 million in the prior year. On a consolidated basis, direct costs of sales increased 35%, other general and administrative expenses increased 38%, and employee costs increased 56%. For the year ended August 31, 2016, direct cost of sales excludes amortization not taken on Pay TV program and film right assets of \$15.6 million that were part of the disposal group.

The significant increase in direct cost of sales, general and administrative expenses for the three months and the year ended August 31, 2016 is mainly attributable to the Acquisition, effective April 1, 2016.

Further analysis of expenses is provided in the discussion of segmented results.

Segment profit

Consolidated segment profit for the fourth quarter of fiscal 2016 was \$105.4 million, up 90% from \$55.5 million last year.

For the year ended August 31, 2016, consolidated segment profit was \$411.0 million, up 48% from \$277.2 million last year, however, excludes amortization of disposed Pay TV program and film rights of \$15.6 million. Adjusting for this, segment profit would be \$395.4 million, up 43% from last year.

The significant increase in segment profit for the three months and the year ended August 31, 2016 is mainly attributable to the Acquisition, effective April 1, 2016. Further analysis is provided in the discussions of segmented results.

Depreciation and amortization

Depreciation and amortization expense for the fourth quarter of fiscal 2016 was \$33.6 million, up from \$6.1 million in the prior year. For the year ended August 31, 2016, depreciation and amortization expense was \$74.0 million, up from \$24.1 million in the prior year. The increase in the quarter and full year arises from higher amortization of intangible assets, specifically trade marks from new long-term licensing agreements that commenced in fiscal 2016 as well as incremental depreciation and amortization associated with assets acquired from the Acquisition.

Interest expense

Interest expense for the fourth quarter and the year ended August 31, 2016, was \$39.8 million and \$110.9 million, up from \$12.4 million and \$50.9 million, respectively, in the prior year. The increase is due to higher imputed interest costs and higher interest on long-term debt. The increase in imputed interest costs of \$9.0 million in the quarter and \$30.8 million for the fiscal year is attributable to new long-term licensing agreements that commenced in fiscal 2016 and from incremental long-term obligations assumed with the Acquisition. The increase in interest on long-term debt of \$18.4 million in the quarter and \$28.8 million for the fiscal year is attributable to increased bank debt associated with financing the Acquisition.

The effective interest rate on bank loans and notes for both the fourth quarter of fiscal 2016 and the year ended August 31, 2016 was 4.8% and 4.6% compared to 4.2% and 4.1%, respectively in the prior year for the same comparable periods. The higher effective rates for the fourth quarter and fiscal year are attributable to the Company's newly established syndicated senior secured credit facilities effective April 1, 2016 in connection with the Acquisition and the resulting higher leverage.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Broadcast license and goodwill impairment

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has completed its annual impairment testing of broadcast licenses and goodwill and determined that there were no impairment charges required at August 31, 2016.

In the second quarter of fiscal 2015, certain radio clusters had actual results and revised cash flow projections that fell short of previous estimates, which indicated that interim broadcast license and goodwill impairment testing was required in the radio segment. As a result of those tests, the Company recorded broadcast license impairment charges of \$23.0 million and a goodwill impairment charge of \$107.0 million in its Radio segment. These charges are excluded from the determination of segment profit.

Debt refinancing costs

The debt refinancing costs of \$61.2 million in fiscal 2016 related to a redemption premium of \$52.6 million associated with the redemption on April 18, 2016 of the outstanding \$550.0 million 4.25% senior unsecured guaranteed notes due 2020 and \$8.6 million of unamortized financing charges and bridge loan commitment fees associated with financing the Acquisition. Further discussion is provided in note 10 of the Company's interim consolidated financial statements for the period ended August 31, 2016. These charges are excluded from the determination of segment profit.

Intangible impairments

In the third quarter of fiscal 2015, the Company undertook a strategic, in-depth review of the television programming slate to determine what programming would best position its services in the new regulatory environment. Programs that were not delivering adequate audience ratings were considered impaired and were written down accordingly. In addition, certain equity film investments were also considered impaired and written down accordingly. These film investments primarily related to equity film investments made by the Pay TV vertical, and certain boys action properties from Nelvana which were no longer supported by merchandising sales, as the current lifecycles of the toy properties had ended. As a result, the Company recorded non-cash impairment charges in program rights and film investments of \$51.8 million. These charges are excluded from the determination of segment profit.

Business acquisition, integration and restructuring costs

For the three months ended August 31, 2016, the Company incurred \$19.6 million of business integration and restructuring costs compared to \$8.3 million in the prior year. The current year costs were attributable to acquisition and integration related costs in the Corporate segment relating to the Acquisition, as well as restructuring provisions resulting from organizational changes across the Company.

For the year ended August 31, 2016, the Company incurred \$57.2 million of business acquisition, integration and restructuring costs compared to \$19.0 million last year. These charges are excluded from the determination of segment profit.

Gain on disposition

On February 29, 2016, the Company disposed of certain assets and related liabilities of its Pay TV business, which resulted in a gain of \$86.2 million. The Company received cash proceeds of \$211.0 million from Bell Media Inc. to cease operations of its Pay TV business. Further detail is provided in the discussion of the segmented results as well as note 18 of the Company's interim consolidated financial statements for the year ended August 31, 2016.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Other expense (income), net

Other expense for the three months ended August 31, 2016 was \$1.8 million, compared to \$2.6 million in the prior year. Other expense for the year ended August 31, 2016 was \$8.8 million compared to income of \$10.1 million in the prior year. The expense in fiscal 2016 includes equity loss from investees of \$5.9 million, offset by a venture fund distribution of \$0.5 million, a gain on a sale of an investment of \$0.7 million, interest income of \$0.8 million, and foreign exchanges gains of \$0.3 million. In the prior year, other income includes cash proceeds of \$18.5 million from Steamboat Ventures relating to its disposal of an investment, of which \$1.5 million related to a return of capital resulting in a gain of \$17.0 million in the second quarter of fiscal 2015. This was offset by equity loss from investees of \$3.3 million and foreign exchanges losses of \$5.0 million.

Income tax expense

The effective tax rate for the year ended August 31, 2016 was 22.5% compared to the Company's 26.5% statutory rate. The lower effective tax rate is primarily the result of the non-taxable portion of capital gains associated with the disposition of certain Pay TV assets in the second quarter of fiscal 2016.

The effective tax rate for the year ended August 31, 2015 was a 270.0% compared to the Company's 26.5% statutory rate. This higher effective tax rate is primarily the result of the \$107.0 million goodwill impairment charge recorded in the year, which is not a tax-deductible expense.

Net income (loss) and earnings (loss) per share

Net income attributable to shareholders for the fourth quarter of fiscal 2016 was nil (\$ nil per share), as compared to \$17.8 million (\$0.21 per share) in the prior year. Net income attributable to shareholders for the current quarter includes business acquisition, integration and restructuring costs of \$19.6 million (\$0.07 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$14.5 million (\$0.07 per share basic) in the quarter. Net income attributable to shareholders for the prior year quarter includes business acquisition, integration and restructuring costs of \$8.3 million (\$0.07 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$24.0 million (\$0.28 per share basic) for the prior year quarter.

Net income attributable to shareholders for the year ended August 31, 2016 was \$125.9 million (\$0.96 earnings per share), as compared to a net loss of \$25.2 million (\$0.29 loss per share) in the prior year. Net income attributable to shareholders for fiscal 2016 includes business acquisition, integration and restructuring costs of \$57.2 million (\$0.35 per share), debt refinancing costs of \$61.2 million (\$0.34 per share), a gain relating to the discontinuation of the Pay TV business and the disposal of certain assets of \$86.2 million (\$0.58 per share), and excludes amortization of disposed of Pay TV program and film rights of \$15.6 million (\$0.09 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$129.0 million (\$0.98 per share basic) for the current fiscal year. Net loss attributable to shareholders for the fiscal 2015 year includes Radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), intangible asset impairment charges of \$51.8 million (\$0.44 per share), and business acquisition, integration and restructuring costs of \$19.0 million (\$0.15 per share), offset by a gain on disposition of an equity investment of \$17.0 million (\$0.17 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$135.9 million (\$1.57 per share basic) for the prior fiscal year.

The weighted average number of basic shares outstanding for the three months and year ended August 31, 2016 was 194,792,000 and 131,783,000, respectively, and has increased significantly in the current fiscal year due to the issuance of 71,364,853 Class B Non-Voting Shares to Shaw Communications Inc. ("Shaw") as part of the purchase consideration for the Acquisition and, in connection with the Acquisition, the issuance of 32,770,000 Class B Non-Voting Shares as a result of a public Equity Offering and Connected Private Placement completed April 1, 2016. The number of shares outstanding also increased from the issuance of shares from treasury under the Company's dividend reinvestment plan.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Other comprehensive income (loss), net of tax

Other comprehensive loss for the year ended August 31, 2016 was \$14.4 million, compared to income of \$4.3 million in the prior year. For the year ended August 31, 2016, the loss includes an unrealized loss associated with remeasuring the fair value of cash flow hedges of \$10.3 million, actuarial losses on post-employment benefit plans of \$3.5 million, and the reclassification to income of \$0.6 million in mark-to-market gains associated with an equity investment. The prior year income includes an unrealized gain from foreign currency translation adjustments of \$4.2 million, a gain on actuarial valuation on post-employment benefit plans of \$0.7 million, offset by unrealized losses associated with remeasuring the fair value of cash flow hedges of \$0.3 million, and mark-to-market adjustments of equity investments of \$0.3 million.

Television

The Television segment is comprised of 45 specialty television services, 15 conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing, animation software and technology and media services. On February 29, 2016, the Company discontinued its Pay TV business. On April 1, 2016, the Company acquired 100% of Shaw Media Inc. (the "Acquisition") from Shaw Communications Inc., which included 19 specialty services, 12 Global Television branded conventional television stations, Global News and globalnews.ca, and HistoryGO and GlobalGO apps.

Financial Highlights

	Three months ended		Year ended	
	August 31,		August 31,	
(thousands of Canadian dollars)	2016	2015	2016	2015
Revenues	347,283	154,338	1,015,609	653,770
Expenses	240,466	101,763	611,384	393,641
Segment profit ⁽¹⁾	106,817	52,575	404,225	260,129
Amortization of disposed assets	—	—	15,585	—
Adjusted segment profit ⁽¹⁾	106,817	52,575	388,640	260,129

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

Revenues increased by 125% in the fourth quarter of fiscal 2016 as a result of a 324% increase in advertising revenues, a 50% increase in subscriber revenues and a 17% increase in merchandising, distribution and other revenues. For the year ended August 31, 2016, total revenues increased 55% from the prior year, with advertising revenues up 116%, subscriber revenues up 19% and merchandising, distribution and other revenues up 26% compared to the prior year. The significant increase in total revenues for the quarter and fiscal year is mainly attributable to the Acquisition effective April 1, 2016, offset by the shutdown of the Pay TV business in western Canada effective February 29, 2016. Shaw Media contributed \$220.4 million and \$407.3 million in total revenues for the fourth quarter and five months ended August 31, 2016, respectively. The Pay TV business contributed \$31.6 million in total revenues for the fourth quarter ended August 31, 2015.

The following discussion highlights revenues for the fourth quarter of fiscal 2016 on a pro forma basis, after adjusting the prior year operating results for the inclusion of Shaw Media and exclusion of the Pay TV results. On a pro forma basis, total revenues were down 2% in the fourth quarter of fiscal 2016 compared to the prior year, with advertising revenues down 9% in the fourth quarter of fiscal 2016 compared to the prior year, as a result of several factors including the timing of agency contract renewals as well as a number of major sporting events which occurred during the fourth quarter of fiscal 2016 (and were broadcast on competitor's networks). Both conventional and specialty television

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

networks were negatively impacted in the current year by the summer Olympics and Euro 2016. In addition, Global Conventional Network (“Global”) faced tougher comparables to the prior year, as the prior year results benefited from the Federal elections coverage, a stronger summer schedule on Global and more advertising support for blockbuster theatrical releases. This was offset by year-over-year growth from integrated advertising sales and from Corus Kids networks.

On a pro forma basis, total subscriber revenues increased 10% in the fourth quarter of fiscal 2016 compared to the prior year, driven by the launch of the Company’s suite of Disney channels earlier in the year and from renewal of certain carriage agreements in the quarter.

On a pro forma basis, merchandising, distribution and other revenues decreased 1% in the fourth quarter of fiscal 2016, reflecting lower production and distribution revenues offset by growth in revenues from syndication and non-linear product offerings.

Total expenses in the fourth quarter of fiscal 2016 increased by 136% compared to the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were 97% higher than the prior year, driven by additional programming costs related to the acquired Shaw Media services and the Disney and Nickelodeon program licensing agreements, partially offset by reduced programming amortization costs as a result of the shutdown of Pay TV. General and administrative expenses increased 208% from the prior year, driven by the incremental operating costs of the acquired Shaw Media services, offset by the realization of cost synergies. Total expenses for the year ended August 31, 2016 were up 55% from the prior year, with direct cost of sales up 36% and general and administrative expenses up 91%, primarily due to the incremental costs related to the acquired Shaw Media services, partially offset by reduced costs from the shutdown of Pay TV.

Pro forma information has not been included for expenses and segment profit as it is not meaningful due to substantive organizational changes resulting in synergies for the combined Television segment operations.

Segment profit increased 103% in the fourth quarter of fiscal 2016 and 55% for the full fiscal 2016 year. Segment profit margin for the quarter was 31%, compared to 34% in the prior year. Segment profit margin for the year ended August 31, 2016 was 40%, however, excludes amortization of disposed Pay TV program and film rights.

For fiscal 2016, certain of Corus’ Pay TV assets and liabilities were reclassified as held for disposal effective November 19, 2015 as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The disposal group, Pay TV, did not qualify for discontinued operations presentation and, as a result, its operating results remain in continuing operations. Intangible assets reclassified as held for disposal ceased being amortized effective November 19, 2015 and, as a consequence, amortization of program and film rights in the Television segment for the year ended August 31, 2016 is lower by approximately \$15.6 million than it would have been had amortization on these assets not ceased. Adjusting for this, segment profit for the year ended August 31, 2016 would be \$388.6 million and adjusted segment profit margin was 38%.

Further discussion is provided in note 18 of the Company’s interim condensed consolidated financial statements for the year ended August 31, 2016.

⁽¹⁾ As defined in the “Key Performance Indicators” section

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Radio

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended		Year ended	
	August 31,		August 31,	
	2016	2015	2016	2015
Revenues	37,184	39,261	155,705	161,545
Expenses	28,675	30,758	119,546	124,538
Segment profit ⁽¹⁾	8,509	8,503	36,159	37,007

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

Revenues decreased 5% for the fourth quarter of fiscal 2016 and 4% for the year ended August 31, 2016. Ontario markets delivered growth in the quarter, mainly driven by solid results in Ottawa, however, economic conditions in Alberta contributed to overall softness in the West. For the year ended August 31, 2016, Ottawa and Vancouver markets delivered growth, which was offset by declines in the West.

Direct cost of sales, general and administrative expenses decreased 7% in the fourth quarter of fiscal 2016 and 4% for the year. Variable expenses decreased 18% for the quarter and 10% for the year, driven mainly by lower costs directly related to revenue. Fixed costs, which represent a much higher proportion of the cost structure, decreased 2% for the quarter and the year. The declines were driven mainly by lower employee-related costs and programming research, offset by higher premises costs.

Radio's segment profit in the fourth quarter of fiscal 2016 was comparable with the prior year, but decreased 2% for the year ended August 31, 2016. The segment profit margin increased to 23% in the quarter compared to 22% in the prior year and segment profit margin for the year ended August 31, 2016 was 23%, consistent with the prior year. On April 1, 2016, in conjunction with the Shaw Media acquisition, the Company announced a new organizational structure that harnesses the combined power of the Company's radio operations and its conventional television stations to create Canada's leader in local – across radio, TV and digital. Accordingly, the fourth quarter and full year fiscal 2016 results reflect the continued realization of cost synergies derived from these efforts.

Subsequent to the quarter, the Summer PPM audience ratings were released. Highlights include: Calgary's Country 105 rebounded from the Spring PPM and regained the number one ranked position in the A25-54 demographic segment; in Edmonton, CISN Country 103.9 continued to gain audience, climbing two ranked positions to number two, in the A25-54 demographic segment; Vancouver's CFOX jumped to the number three ranked position while Rock 101 settled in at number five in the A25-54 demographic segment; Toronto's 102.1 the Edge and Q107 held their positions and maintained the number six and seven ranked position, respectively, in the A25-54 demographic segment.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Corporate

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

Financial Highlights

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Share-based compensation	1,269	(414)	4,085	2,723
Other general and administrative costs	8,686	5,999	25,285	17,226
	9,955	5,585	29,370	19,949

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

The increase in share-based compensation expense in the fourth quarter of fiscal 2016 over the prior year is due to unusually low costs in the prior year as a result of revaluing obligations associated with DSUs. Higher share-based compensation expense for the year ended August 31, 2016 reflects an expanded number of participants in the long-term incentive plans, an increase in the number of units estimated to hit vesting targets, partially offset by a lower share price in the current year.

Other general and administrative costs have increased in the fourth quarter of fiscal 2016, primarily due to higher costs related to short-term performance incentive plans. For the year ended August 31, 2016, other general and administrative costs increased primarily due to higher costs related to short-term performance incentive plans in the current year and lower costs related to the Corus Quay facility incurred in the prior year.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

Seasonal fluctuations

As discussed in Management's Discussion and Analysis for the year ended August 31, 2015, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenues are dependent on general advertising revenues and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 2016. 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, 2015.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

[thousands of Canadian dollars, except per share amounts]

	Revenues	Segment profit ⁽¹⁾	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders	Earnings per share		
					Basic	Diluted	Adjusted
2016							
4th quarter	384,467	105,371	25	14,535	\$ 0.00	\$ 0.00	\$ 0.07
3rd quarter	360,824	130,186	(15,766)	52,950	\$ (0.10)	\$ (0.10)	\$ 0.34
2nd quarter	197,705	79,579	102,232	20,944	\$ 1.17	\$ 1.17	\$ 0.24
1st quarter	228,318	95,878	41,320	42,484	\$ 0.47	\$ 0.47	\$ 0.49
2015							
4th quarter	193,599	55,493	17,835	23,967	\$ 0.21	\$ 0.21	\$ 0.28
3rd quarter	203,121	68,699	(8,109)	31,550	\$ (0.09)	\$ (0.09)	\$ 0.36
2nd quarter	191,484	59,719	(86,786)	28,499	\$ (1.01)	\$ (1.01)	\$ 0.33
1st quarter	227,111	93,276	51,906	51,906	\$ 0.60	\$ 0.60	\$ 0.60

⁽¹⁾As defined in "Key Performance Indicators".

Significant items causing variations in quarterly results

- Net income attributable to shareholders for the fourth quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of \$19.6 million (\$0.07 per share).
- Revenues, segment profit and net income attributable to shareholders was positively impacted by the Acquisition and inclusion of its operating results effective April 1, 2016; however, it was negatively impacted by the shutdown of the Pay TV business effective February 29, 2016. Net income attributable to shareholders for the third quarter of fiscal 2016 was also negatively impacted by business acquisition, integration and restructuring costs of \$29.3 million (\$0.15 per share) and debt refinancing costs of \$61.2 million (\$0.29 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2016 was positively impacted by a gain of \$86.2 million (\$0.87 per share) resulting from a gain on disposition of assets relating to the Pay TV business, amortization ceasing on certain programming assets disposed of at the end of the quarter of \$14.2 million (\$0.12 per share), and negatively impacted by restructuring costs of \$6.0 million (\$0.06 per share). Segment profit was also positively impacted by the cessation of amortization on the aforementioned Pay TV programming assets by \$14.2 million.
- Net income attributable to shareholders for the first quarter of fiscal 2016 was negatively impacted by business acquisition, integration and restructuring costs of \$2.4 million (\$0.03 per share) and positively impacted by amortization ceasing on certain programming assets reclassified as held for disposal of \$1.4 million (\$0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2015 was negatively impacted by restructuring costs of \$8.3 million (\$0.07 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2015 was negatively impacted by non-cash impairment charges in program rights and film investments of \$51.8 million (\$0.44 per share) and restructuring costs of \$2.7 million (\$0.02 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2015 was negatively impacted by non-cash radio broadcast license and goodwill impairment charges of \$130.0 million (\$1.44 per share), restructuring costs of \$8.0 million (\$0.07 per share) and positively impacted by a gain of \$17.0 million (\$0.17 per share) resulting from a gain on disposition of investment.

FINANCIAL POSITION

The major change in the Company's consolidated results arises from the consolidation of 100% interest in Shaw Media commencing April 1, 2016 as a consequence of completing the Acquisition. As a result, its assets and liabilities have been fully consolidated as a business combination in accordance with IFRS 3 – *Business Combinations*, as of that date. Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects (refer to note 18 of the Company's consolidated interim financial statements for the year ended August 31, 2016 for further discussion).

On February 29, 2016, the Company ceased operation of its Pay TV business. Accordingly, certain assets and liabilities that were reclassified on November 19, 2015 as held for sale as a consequence of meeting the definition of assets held for sale under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* were written down (refer to note 18 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2016 for further discussion).

Total assets at August 31, 2016 and August 31, 2015 were \$6.1 billion and \$2.6 billion, respectively. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2015.

Current assets at August 31, 2016 were \$470.1 million, up \$241.7 million from August 31, 2015.

Cash and cash equivalents increased by \$33.9 million. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$215.3 million during the year, of which \$243.5 million relates to the Acquisition, offset by higher cash collections during fiscal 2016. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher in the first and third quarters and lower in the second and fourth quarters as a result of the broadcast revenue seasonality. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable decreased \$6.1 million during the year as a result of tax credit receipts exceeding accruals related to film and interactive productions.

Investments and other assets increased \$3.8 million during the year, primarily as a result of additional investments in Venture funds offset by equity losses from associates.

Property, plant and equipment increased \$143.0 million during the year, of which \$160.9 million relates to the Acquisition, offset during the year by depreciation expense exceeding additions for fiscal 2016.

Program and film rights increased \$366.4 million during the year, of which \$287.6 million relates to the Acquisition. As well, additions of acquired rights of \$460.7 million were offset by disposal of certain Pay TV assets of \$68.7 million and amortization of \$313.3 million during fiscal 2016.

Film investments increased \$8.6 million during the year, as film spending (net of tax credit accruals and impairment recoveries) of \$31.3 million were offset by film amortization of \$22.7 million.

Intangibles increased \$1,101.6 million during the year, of which \$1,065.8 million relates to the Acquisition. As well, additions of trade marks and exclusive rights associated with new licensing agreements that commenced in fiscal 2016 were offset by amortization of finite life intangibles and disposal of certain Pay TV intangible assets and associated broadcast license of \$53.1 million related to the cessation of the Pay TV business. Further discussion is contained in note 18 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2016.

Goodwill increased by \$1,562.8 million from August 31, 2015, primarily as a result of the Acquisition, offset by decreases related to the cessation of the Pay TV business. Further discussion is contained in note 18 of the Company's consolidated interim financial statements for the year ended August 31, 2016.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Accounts payable and accrued liabilities increased \$182.4 million during the year, as the Acquisition added \$216.0 million, offset by the disposal of \$43.6 million of liabilities associated with the cessation of operations of the Pay TV business. The remaining increase is primarily a result of higher program rights offset by lower film production accruals and capital lease obligations. Further discussion is provided in note 18 to the Company's interim condensed consolidated financial statements for the period ended August 31, 2016.

Provisions have increased \$12.5 million during the year, of which \$0.7 million relates to the Acquisition, as well as accruals exceeding payments made during the year.

Long-term debt, including current portion, at August 31, 2016 was \$2,196.0 million compared to \$801.0 million at August 31, 2015. On February 3, 2016, the \$150.0 million Term Facility (categorized as the current portion of long-term debt at August 31, 2015) matured and was repaid in full. On April 1, 2016, in connection with the Acquisition, the Company drew the full amount of its new Term Facility of \$2.3 billion and repaid all amounts then outstanding against its Revolving Facility. In relation to the bank financing, the Company incurred deferred financing fees of \$23.6 million. On April 18, 2016, the Company redeemed its \$550.0 million, 4.25% senior unsecured guaranteed notes (the "Notes") and wrote off previously deferred financing fees of \$5.6 million. As of August 31, 2016, the \$115.0 million classified as the current portion of long-term debt reflects the mandatory repayment on the debt in the next twelve months. During the year, amortization of deferred financing charges of \$4.0 million was recorded. Further discussion of the Company's debt instruments is contained below in the Liquidity and Capital Resources section as well as in note 10 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2016.

Other long-term liabilities increased by \$400.8 million during the year, of which \$164.1 million relates to the Acquisition. In addition, there were increases in long-term program rights payable, intangible liabilities associated with new licensing agreements that commenced in fiscal 2016, fair value of interest rate swap agreements, and asset retirement obligations. This was partially offset by the disposal of certain other long-term liabilities related to the cessation of operation of the Pay TV business.

Share capital increased \$1,174.0 million, as a result of the issuance of \$60.7 million of shares from treasury under the Company's dividend reinvestment plan, and from the issuance of 71,364,853 Class B Non-Voting Shares to Shaw as part of the purchase consideration for the Acquisition and, in connection with the acquisition, the issuance of 32,770,000 Class B Non-Voting Shares as a result of a public Equity Offering and Concurrent Private Placement completed April 1, 2016. Further discussion is contained below in the Liquidity and Capital Resources section as well as in notes 11 and 18 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2016.

Contributed surplus increased \$1.0 million due to share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Overall, the Company's cash and cash equivalents position increased by \$33.9 million over the year ended August 31, 2016. Free cash flow for the year ended August 31, 2016 was \$188.2 million, compared to free cash flow of \$201.2 million in the prior year. In the prior year, free cash flow benefited from the proceeds associated with the disposition of an investment for proceeds of \$18.5 million. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section.

Cash provided by operating activities in the year ended August 31, 2016 was \$200.2 million, compared to \$204.5 million last year. The decrease of \$4.3 million arises from higher net income from operations (adjusted for non-cash items) of \$107.6 million, higher cash provided by working capital of \$24.9 million, lower film investment additions of \$5.3 million, offset by higher payments on program rights of \$142.1 million.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Cash used by investing activities in the year ended August 31, 2016 was \$1,658.4 million, compared to \$23.0 million in the prior year. The current year includes cash consideration from BCE Inc. ("Bell") of \$209.5 million relating to the shutdown of the Pay TV business and from a venture fund distribution of \$1.7 million, offset by the cash portion of the consideration paid for the Shaw Media acquisition of \$1,824.9 million (net of acquired cash), net cash outflows for intangibles, investments and other assets of \$19.6 million, and additions to property, plant and equipment of \$22.6 million. The prior year includes cash proceeds associated with the disposition of GoPro shares by Steamboat Ventures of \$18.5 million, offset by net cash outflows for intangibles, investments and other assets of \$24.8 million and additions to property, plant and equipment of \$16.7 million.

Cash provided by financing activities in the year ended August 31, 2016 was \$1,492.1 million, compared to cash used of \$155.6 million in the prior year. In the current year, the Company increased bank debt by \$1,959.2 million, raised \$276.5 million from the issuance of subscription receipts, redeemed Notes for \$605.7 million (inclusive of the redemption premium), paid dividends of \$109.5 million, incurred financing fees of \$23.6 million, and made capital lease payments of \$4.8 million. In the prior year, the Company paid down bank debt by \$74.7 million, paid dividends of \$81.8 million, made capital lease payments of \$4.0 million and received \$5.7 million from issuance of shares under the stock option plan.

Liquidity

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

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

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) of 3.0 to 3.5 times, and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term 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. The Company is currently operating above these internally imposed objectives as a result of the Acquisition and is committed to bringing the leverage target back within the target range by the end of fiscal 2018.

In connection with the closing of the Acquisition on April 1, 2016, the Company established syndicated senior secured credit facilities in the aggregate amount of \$2.6 billion consisting of a \$2.3 billion term loan (the "Term Facility"), all of which was drawn at closing, and a \$300.0 million revolving facility (the "Revolving Facility") which was not drawn on as part of the closing and remains unutilized at August 31, 2016. The Term Facility and Revolving Facility replace the Company's previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

As at August 31, 2016, the Company had available approximately \$300.0 million under the Revolving Facility and was in compliance with all loan covenants. As at August 31, 2016, the Company had a cash balance of \$71.4 million.

For further details on the credit facilities established on April 1, 2016, refer to the credit facilities section below and note 10 of the Company's interim condensed consolidated financial statements.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

With the changes to the credit facilities on April 1, 2016, management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next twelve months.

Net debt to segment profit

As at August 31, 2016, net debt was \$2,124.7 million, up from \$763.6 million at August 31, 2015. Net debt to segment profit at August 31, 2016 was 3.7 times on a proforma basis, after adjusting segment profit to include the Acquisition and exclude Pay TV for the prior twelve months. This compared to 2.8 times at August 31, 2015. Further discussion on this is contained in the Key Performance Indicators section.

Total capitalization

At August 31, 2016, total capitalization was \$4,601.0 million, an increase of \$2,617.5 million from August 31, 2015. The increase is attributable to increased debt and shares to finance the Acquisition.

On April 1, 2016, the Company acquired the shares of Shaw Media from Shaw Communications Inc. ("Shaw") for approximately \$2.65 billion, subject to certain post-closing adjustments, satisfied by the Company through a combination of: a) \$1.85 billion of cash consideration; and b) the issuance by the Company to Shaw of 71,364,853 Class B Non-Voting Shares (the "Class B Shares") at an agreed value per share of \$11.21 per share, for an aggregate value of \$800.0 million. These shares, although valued at \$11.21 per share, were valued for accounting purposes at \$11.68 per share, the opening price of the Company's stock on April 1, 2016.

The cash consideration for the Acquisition as well as re-financing of existing indebtedness of the Company and the redemption of the 4.25% senior unsecured guaranteed notes due February 11, 2020 (the "Notes"), of which \$550.0 million principal (plus accrued and unpaid interest) was outstanding, was financed through a combination of the debt from the Term Facility (as defined above) and equity from the net proceeds of the Equity Offering (as defined below) and the Concurrent Private Placement (as defined below).

Class B Share Subscription Receipts

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the "Equity Offering") of 25,400,000 subscription receipts of Corus (the "Subscription Receipts") at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3,810,000 Subscription Receipts at a price of \$9.00 per Subscription Receipt, for additional gross proceeds of approximately \$34.3 million, representing total gross proceeds from the Equity Offering of \$262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3,560,000 Subscription Receipts on a private placement basis (the "Concurrent Private Placement") from Corus at a price of \$9.00 per Subscription Receipt, for gross proceeds of \$32.0 million. Issuance costs, net of tax, of \$8.9 million and a subscription receipt adjustment payment of \$6.2 million were incurred, resulting in net proceeds of \$279.8 million.

The Class B Shares underlying the Subscription Receipts were issued on April 1, 2016 in connection with the completion of the Acquisition and the net proceeds from the Equity Offering and the Concurrent Private Placement (including accrued interest thereon) were applied by Corus to partially fund the cash consideration for the Acquisition.

Credit Facilities

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

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Term Facility and Revolving Facility replace Corus' previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

At the time it agreed to enter into the Acquisition, Corus obtained commitments from a Canadian chartered bank for: (i) an aggregate of \$2.3 billion in new credit facilities; and (ii) a \$300.0 million non-revolving, non-amortizing unsecured term facility (the "Debt Bridge Facility") which Corus intended to replace or repay with a proposed offering of senior unsecured notes. Prior to the closing of the Acquisition, Corus determined not to proceed with the offering of senior unsecured notes, and accordingly increased the size of the Term Facility by \$300.0 million and cancelled the Debt Bridge Facility.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the initial amount of \$766.7 million and maturing on April 1, 2019, and the second tranche being in the initial amount of \$1,533.3 million and maturing on April 1, 2021. The Term Facility was available in a single Canadian dollar drawdown, and net proceeds from the Term Facility, after deducting related fees and expenses, were used (together with the net proceeds from the Equity Offering and the Concurrent Private Placement) to finance the Acquisition, to prepay the amount outstanding under its existing credit facilities and to redeem the Senior Notes.

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

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Facility

The \$300.0 million Revolving Facility matures on April 1, 2020. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

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

The full text of the Amended Credit Agreement governing the Term Facility and the Revolving Facility is filed on SEDAR at www.sedar.com.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

On April 18, 2016, the Company redeemed all of its outstanding \$550.0 million 4.25% senior unsecured guaranteed notes due 2020 (the “2020 Notes”). The redemption included accrued and unpaid interest on the 2020 Notes up to, but excluding the redemption date and a redemption premium totaling approximately \$52.6 million. In addition, the Company wrote-off associated unamortized financing charges of approximately \$4.8 million.

Off-Balance Sheet arrangements and derivative financial instruments

During the third quarter of fiscal 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on the majority of its outstanding term loan facilities. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of future cash flows of interest rate swap derivatives change with fluctuations in market interest rates. The estimated fair value of these agreements at August 31, 2016 is \$14.4 million, which has been recorded in the Interim Condensed Consolidated Statements of Financial Position as a liability.

In the second quarter of fiscal 2016, the Company’s term loan facility of \$150.0 million was repaid, and the Canadian interest rate swap agreement that fixed the interest rate on this facility was concluded.

Outstanding Share Data

As at September 30, 2016, 3,425,792 Class A Voting Shares and 193,845,654 Class B Non-Voting Shares were issued and outstanding.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management’s Discussion and Analysis contained in the Annual Report for the year ended August 31, 2015, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

In particular, segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company’s consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments 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 license impairment; significant intangible asset impairments; debt refinancing; non-cash gains or losses and certain other income and expenses (note 14 to the Company’s 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 18 to the Company’s interim condensed consolidated financial statements. Segment profit does not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and is not necessarily comparable to similar measures presented by other companies.

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

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Adjusted segment profit and adjusted segment profit margin

Adjusted segment profit is calculated as segment profit less amortization of Pay TV programming assets if they had not been reclassified as held for sale as at November 19, 2015. Adjusted segment profit margin is calculated by dividing adjusted segment profit by revenues. 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.

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Adjusted segment profit				
Reported segment profit	105,371	55,493	411,014	277,187
Adjustments:				
Amortization not taken on Pay TV assets disposed of	—	—	(15,585)	—
Adjusted segment profit	105,371	55,493	395,429	277,187

Free cash flow

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

(thousands of Canadian dollars)	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Cash provided by (used in):				
Operating activities	73,013	53,420	200,227	204,458
Investing activities	(8,075)	(8,250)	(1,658,427)	(23,010)
	64,938	45,170	(1,458,200)	181,448
Add back: cash used for business combinations and strategic investments ⁽¹⁾	(3,541)	—	1,855,839	19,765
Deduct: net proceeds from disposition	—	—	(209,474)	—
Free cash flow	61,397	45,170	188,165	201,213

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

Free cash flow in the current year reflects the inclusion of Shaw Media business and operating results effective April 1, 2016. In the prior year, free cash flow for the twelve month period benefited from the proceeds associated with the disposition of GoPro shares by Steamboat Ventures of \$18.5 million.

Adjusted net income and adjusted basic earnings per share

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. Management uses adjusted net income and

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

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

Adjusted net income and adjusted basic earnings per share reconciliation

	Three months ended August 31,		Year ended August 31,	
(thousands of Canadian dollars, except per share amounts)	2016	2015	2016	2015
Net income (loss) attributable to shareholders	25	17,835	125,931	(25,154)
Adjustments, net of income taxes:				
Gain on disposal of Pay TV assets	—	—	(76,631)	—
Amortization of certain Pay TV assets	—	—	(11,455)	—
Business acquisition, integration and restructuring costs	14,510	6,132	46,171	13,753
Debt refinancing costs	—	—	45,017	—
Gain from disposition of investment	—	—	—	(14,716)
Intangible asset impairment charge	—	—	—	38,055
Broadcast license and goodwill impairment charges	—	—	—	123,984
Adjusted net income attributable to shareholders	14,535	23,967	129,033	135,922
Basic earnings (losses) per share	\$0.00	\$0.21	\$0.96	\$ (0.29)
Adjustments, net of income taxes:				
Gain on disposal of Pay TV assets	—	—	(0.58)	—
Amortization of certain Pay TV assets	—	—	(0.09)	—
Business acquisition, integration and restructuring costs	0.07	0.07	0.35	0.15
Debt refinancing costs	—	—	0.34	—
Gain from disposition of investment	—	—	—	(0.17)
Intangible asset impairment charge	—	—	—	0.44
Broadcast license and goodwill impairment charges	—	—	—	1.44
Adjusted basic earnings per share	\$0.07	\$0.28	\$0.98	\$1.57

Net debt and net debt to segment profit

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the Consolidated Statements of Financial Position. Net debt 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.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

		As at August 31,
(thousands of Canadian dollars)	2016	2015
Total bank debt and notes	2,196,020	801,002
Cash and cash equivalents	(71,363)	(37,422)
Net debt	2,124,657	763,580

Net debt to segment profit

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations. Net debt to segment profit does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

		As at August 31,
(thousands of Canadian dollars)	2016	2015
Net debt (numerator)	2,124,657	763,580
Segment profit (denominator) ⁽¹⁾	411,014	277,187
Net debt to segment profit	5.2	2.8

⁽¹⁾Reflects aggregate amounts for the most recent four quarters, as detailed in the table in the "Quarterly Consolidated Financial Information" section and only includes the segment profit from the Shaw Media business from the date of acquisition, five months rather than a full twelve months.

As at August 31, 2016, net debt was \$2,124.7 million, up from \$763.6 million at August 31, 2015. Net debt to segment profit at August 31, 2016 was 5.2 times compared to 2.8 times at August 31, 2015. Segment profit for the net debt to segment profit calculation reflects aggregate amounts as reported by the Company for the most recent four quarters; however, does not include segment profit from the Shaw Media business prior to April 1, 2016. The increase in net debt and net debt to segment profit reflects increased debt to finance the Acquisition but does not include a full twelve months of segment profit of the Shaw Media business. Adjusting segment profit to include the Acquisition and exclude Pay TV for the last twelve months, would result in a net debt to segment profit of 3.7 times. Further discussion on this is contained in the Key Performance Indicators section.

Risks and Uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2015 Annual Report under the "Risks and Uncertainties" section. On April 1, 2016, the Company completed its acquisition of Shaw Media. As a result, there have been the following changes in the risks or uncertainties facing the Company since that date.

Risks related to the Shaw Media acquisition

Integration of the combined business

Corus' ability to maintain and successfully execute its business depends upon the judgment and project execution skills of its senior professionals. Any management disruption or difficulties in integrating Corus' and Shaw Media's management and operations staff could significantly affect Corus' business and results of operations. The success of the Acquisition will depend, in large part, on the ability of management to realize the anticipated benefits and cost synergies from integration of the businesses of Corus and Shaw Media. The integration of the businesses may result in significant challenges, and management may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with business partners such as agencies and content providers or employees or to achieve the anticipated benefits of the Acquisition.

The integration of Shaw Media requires the dedication of substantial effort, time and resources on the part of management, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that the Company will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. Any inability of the Company to successfully integrate the operations of Corus and Shaw Media, including, but not limited to, information technology and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of Corus.

Unexpected costs or liabilities related to the acquisition

Although the Company has conducted what it believes to be a prudent and thorough level of investigation in connection with the Acquisition and has negotiated indemnities with Shaw in the Acquisition Agreement to cover certain potential future liabilities, such indemnities may be limited and an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, Shaw Media. There may be liabilities that the Company failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the Acquisition Agreement, and the Company may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the Acquisition Agreement. The discovery of any material liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Company's business, financial condition or future prospects.

While the Company has estimated these potential liabilities for the purposes of making its decision to enter into the Acquisition Agreement, there can be no assurance that any resulting liability will not exceed the Company's estimates. The amount of such liability could have a material adverse effect on the Company's financial position. Furthermore, following the Acquisition, the Company may discover that it has acquired substantial undisclosed liabilities.

In addition, Corus may be unable to retain Shaw Media's customers or employees following the Acquisition. The continuing and collaborative efforts of Shaw Media's senior management and employees are important to its success and its business would be harmed if it were to lose their services. The existence of undisclosed liabilities and the Company's inability to retain Shaw Media's customers or employees could have an adverse impact on the Company's business, financial condition and results of operations.

Leverage risk

The Company's leverage has increased as a result of the Acquisition, which is higher than its stated leverage target of 3.0 to 3.5 times. The Company's maintenance of increased levels of debt could adversely affect its financial condition and results of operations. In addition, increased debt service payments could adversely impact cash flows from operating activities, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, future business opportunities, and other general corporate purposes, as well as limiting the Company's ability to pay dividends at current levels.

Assumed pensions and other employee benefit obligations

Economic fluctuations could adversely impact the funding and expenses associated with assumed pensions and other employee benefit obligations and there can be no assurance that these pension and employee benefit obligations will not increase materially in the future, thereby negatively impacting the Company's income or cash flow.

CORUS ENTERTAINMENT INC.
Fourth Quarter 2016 Report to Shareholders

Risks related to the acquired Shaw Media business

News

Global News' primary directive is to report accurate, balanced, timely and comprehensive news and information in the public interest. Independence is a fundamental Global News value and, accordingly, Global News will resist attempts at censorship or pressure to alter news content, real or apparent. Integrity, fairness and transparency are at the foundation of the Company's newsgathering process, and Global News is committed to reporting news without distortion or misrepresentation.

In support of this directive, the Company has promulgated and has in effect a comprehensive set of Journalistic Principles and Practices setting out guidelines and standards for all news staff in their dealings with frequently asked editorial, ethical and legal and professional conduct questions. These Journalistic Principles and Practices adhere closely to, amongst other things, the Radio Television Digital News Association Canada's Code of Ethics and Professional Standards, the Canadian Association of Broadcasters' Code of Ethics and the Canadian Association of Journalists Ethics Guidelines.

Due to the unique nature of news-gathering and news-reporting, a number of risks may arise in the ordinary course of Global News investigation and reporting on the activities of individuals, corporations and governments. These include legal and ethical risks such as claims in respect of defamation, invasion of privacy, misrepresentation, and infringement of other rights (for example, Intellectual Property Rights and Piracy). A significant part of news-gathering and reporting arises in the context of court proceedings. Certain mandatory publication bans apply to criminal proceedings and, in addition, a court may impose a discretionary publication ban or sealing order in respect of the proceedings or materials used or related to investigations leading to a criminal charge. Where Global News has not otherwise successfully overturned or reduced the scope of a publication ban or sealing order through proper legal process, its policy is to fully comply with court-ordered publication bans and sealing orders. However, because there is no formalized publication ban notice system in place in most provinces, and because publication bans can often be subject to different interpretations, there is no assurance that Global News will not inadvertently breach a publication ban or sealing order, and, if that happens, there is a risk that Global News may be held to be in contempt of court. Similarly, Global News' policy is to resist production orders, warrants and subpoenas for its footage and other materials through proper legal process but, where this is not successful, Global News will comply with production orders, warrants and subpoenas of proper scope and detail.

Due to Global News' strong commitment to editorial independence, certain news-reporting may pose a risk to the Company's advertising revenue streams if advertisers are displeased in their portrayal in news programming and, as a result, choose to reduce or withdraw entirely, their advertising business with the Company.

The deliberate deployment of journalists to dangerous and hostile environments may expose employees and the Company to risks related to kidnapping, injury and death, as well as costs related to medical care and emergency repatriation of employees.

The Journalistic Principles and Practices articulate appropriate ways to deal with the above risks and describes proper protocol when such risks arise. In addition, news staff are provided with regular training to mitigate these risks and the Company carries customary and appropriate insurance to further mitigate risks.

Digital transition and repurposing of spectrum

In July 2009, the CRTC identified the major markets where it expected conventional television broadcasters to convert their full-power OTA analog transmitters to digital transmitters by August 31, 2011. The conversion from analog to digital liberated spectrum for government auction to mobile providers. Shaw Media completed the digital transition in all mandatory markets with a view to completion in 2016, a condition of the CRTC's approval of the Canwest Global acquisition. On December 18, 2014, Industry Canada (now known as Innovation, Science and Economic Development

CORUS ENTERTAINMENT INC.

Fourth Quarter 2016 Report to Shareholders

Canada) launched a consultation to consider repurposing some of the 600 MHz spectrum band currently used by the Company's conventional television stations and other broadcasters for OTA transmission. At the same time, Industry Canada introduced a moratorium on applications to modify existing television broadcasting certificates and on any new licensing in the spectrum band pending the consultations and related processes. The Company has, accordingly, requested from the CRTC an extension of the time line to complete the full slate of analog to digital conversions.

On August 14, 2015, Industry Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band for commercial mobile use and to jointly establish a new allotment plan in collaboration with the United States. Accommodating this change will require the Company to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. Industry Canada (now known as Innovation, Science and Economic Development Canada) has not yet decided whether broadcasters will be reimbursed for their costs of facilitating this transition, stating that this decision is the first step in a multi-year repurposing process and that consideration of compensation to broadcasters was not a part of this phase.

Unionized labour

Approximately 30% of the Company's employees are employed under one of seven collective agreements represented by three unions. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions. If work disruptions occur, it is possible large numbers of employees may be involved and that the Company's business may be disrupted causing negative effect to the Company's operations and/or financial results.

IMPACT OF NEW ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's August 31, 2015 consolidated financial statements and note 3 in the Company's August 31, 2016 interim condensed consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and the Chief Financial Officer of Corus have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Shaw Media, which was acquired on April 1, 2016. Shaw Media's contribution to the overall consolidated financial statements of Corus for the year ended August 31, 2016 was approximately 35% of consolidated revenues and 57% of consolidated net income attributable to shareholders. Additionally, as at August 31, 2016, Shaw Media's current assets and current liabilities were approximately 68% and 28% of consolidated current assets and current liabilities, respectively, and its non-current assets and non-current liabilities were approximately 46% and 15% of consolidated non-current assets and non-current liabilities, respectively. The design of Shaw Media's disclosure controls and procedures and internal control over financial reporting will be completed by the third quarter of fiscal 2017.

Further details related to the Acquisition are disclosed in note 18 of the Company's interim condensed consolidated financial statements for the period ended August 31, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred in the twelve months ended August 31, 2016 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Consolidated Financial Statements and Notes

CORUS ENTERTAINMENT INC. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at August 31, 2016	As at August 31, 2015
[unaudited - in thousands of Canadian dollars]		
ASSETS		
Current		
Cash and cash equivalents	71,363	37,422
Accounts receivable	379,861	164,600
Income taxes recoverable	—	12,439
Prepaid expenses and other	18,835	13,855
Total current assets	470,059	228,316
Tax credits receivable	19,860	25,958
Investments and other assets (note 4)	46,759	42,958
Property, plant and equipment	282,105	139,140
Program and film rights (note 5)	682,268	315,899
Film investments (note 6)	45,164	36,549
Intangibles (note 7)	2,076,237	974,615
Goodwill (note 8)	2,390,652	827,859
Deferred income tax assets	80,281	40,815
	6,093,385	2,632,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	393,367	210,971
Current portion of long-term debt (note 10)	115,000	150,000
Income taxes payable	1,982	—
Provisions (note 9)	21,390	8,930
Total current liabilities	531,739	369,901
Long-term debt (note 10)	2,081,020	651,002
Other long-term liabilities	539,672	138,833
Deferred income tax liabilities	464,607	252,462
Total liabilities	3,617,038	1,412,198
SHAREHOLDERS' EQUITY		
Share capital (note 11)	2,168,543	994,571
Contributed surplus	10,444	9,471
Retained earnings	142,499	191,182
Accumulated other comprehensive income (loss)	(3,569)	7,353
Total equity attributable to shareholders	2,317,917	1,202,577
Equity attributable to non-controlling interest	158,430	17,334
Total shareholders' equity	2,476,347	1,219,911
	6,093,385	2,632,109

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended August 31,		Year ended August 31,	
[unaudited - in thousands of Canadian dollars except per share amounts]	2016	2015	2016	2015
Revenues	384,467	193,599	1,171,314	815,315
Direct cost of sales, general and administrative expenses (note 12)	279,096	138,106	760,300	538,128
Depreciation and amortization	33,585	6,138	73,969	24,057
Interest expense (note 13)	39,788	12,369	110,862	50,936
Broadcast license and goodwill impairment (notes 7 and 8)	—	—	—	130,000
Debt refinancing (note 10)	—	—	61,248	—
Intangible impairment	—	—	—	51,786
Business acquisition, integration and restructuring costs	19,559	8,337	57,198	19,032
Gain on disposition (note 18)	—	—	(86,151)	—
Other (income) expense, net (note 14)	1,716	2,574	8,752	(10,117)
Income before income taxes	10,723	26,075	185,136	11,493
Income tax expense (note 15)	2,218	6,031	41,575	30,993
Net income (loss) for the period	8,505	20,044	143,561	(19,500)
Net income (loss) attributable to:				
Shareholders	25	17,835	125,931	(25,154)
Non-controlling interest	8,480	2,209	17,630	5,654
	8,505	20,044	143,561	(19,500)
Earnings (loss) per share attributable to shareholders:				
Basic	\$ 0.00	\$ 0.21	\$ 0.96	\$ (0.29)
Diluted	\$ 0.00	\$ 0.21	\$ 0.96	\$ (0.29)
Net income (loss) for the period	8,505	20,044	143,561	(19,500)
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized foreign currency translation adjustment	12	1,148	(49)	4,158
Unrealized change in fair value of available-for-sale investments	(610)	(115)	(620)	(306)
Unrealized change in fair value of cash flow hedges	(5,045)	(3)	(10,253)	(266)
Actuarial gain (loss) on post-employment benefit plans	(5,459)	686	(3,489)	686
	(11,102)	1,716	(14,411)	4,272
Comprehensive income (loss) for the period	(2,597)	21,760	129,150	(15,228)
Comprehensive income (loss) attributable to:				
Shareholders	(11,077)	19,551	111,520	(20,882)
Non-controlling interest	8,480	2,209	17,630	5,654
	(2,597)	21,760	129,150	(15,228)

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[unaudited - in thousands of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders	Non- controlling interest	Total equity
At August 31, 2015	994,571	9,471	191,182	7,353	1,202,577	17,334	1,219,911
Comprehensive income	—	—	125,931	(14,411)	111,520	17,630	129,150
Dividends declared	—	—	(171,125)	—	(171,125)	(19,824)	(190,949)
Issuance of shares under public equity offering (note 11)	279,762	—	—	—	279,762	—	279,762
Issuance of shares to related party (note 18)	833,541	—	—	—	833,541	—	833,541
Existing non-controlling ownership interest from acquisition (note 18)	—	—	—	—	—	143,290	143,290
Issuance of shares under dividend reinvestment plan	60,669	—	—	—	60,669	—	60,669
Actuarial gain on post- retirement benefit plans	—	—	(3,489)	3,489	—	—	—
Share-based compensation expense	—	973	—	—	973	—	973
At August 31, 2016	2,168,543	10,444	142,499	(3,569)	2,317,917	158,430	2,476,347
At August 31, 2014	967,330	8,385	313,361	3,767	1,292,843	17,283	1,310,126
Comprehensive income	—	—	(25,154)	4,272	(20,882)	5,654	(15,228)
Dividends declared	—	—	(97,711)	—	(97,711)	(5,603)	(103,314)
Issuance of shares under stock option plan	6,741	(1,090)	—	—	5,651	—	5,651
Issuance of shares under dividend reinvestment plan	20,500	—	—	—	20,500	—	20,500
Actuarial loss on post- retirement benefit plans	—	—	686	(686)	—	—	—
Share-based compensation expense	—	2,176	—	—	2,176	—	2,176
At August 31, 2015	994,571	9,471	191,182	7,353	1,202,577	17,334	1,219,911

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended August 31,		Year ended August 31,	
[unaudited - in thousands of Canadian dollars]	2016	2015	2016	2015
OPERATING ACTIVITIES				
Net income (loss) for the period	8,505	20,044	143,561	(19,500)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Amortization of program and film rights	114,514	51,676	313,300	213,457
Amortization of film investments	8,800	9,441	22,690	27,851
Depreciation and amortization	33,585	6,138	73,969	24,057
Broadcast license and goodwill impairment (notes 7 and 8)	—	—	—	130,000
Deferred income taxes	(42)	751	(22,399)	(2,970)
Intangible asset impairment (recovery)	(822)	—	(822)	51,786
Share-based compensation expense	304	334	973	2,176
Imputed interest	12,523	3,567	45,429	14,620
Debt refinancing costs (note 18)	—	—	61,248	—
Gain on disposition of investment (note 4)	(677)	—	(1,210)	(16,964)
Gain on assets held for disposal (note 18)	—	—	(86,151)	—
CRTC benefit payments	(17,213)	(2,515)	(25,740)	(5,905)
Other	2,100	1,795	6,776	5,360
Net change in non-cash working capital balances related to operations	38,417	29,980	43,074	18,183
Payment of program and film rights	(129,067)	(67,539)	(344,855)	(202,728)
Net additions to film investments	2,086	(252)	(29,616)	(34,965)
Cash provided by operating activities	73,013	53,420	200,227	204,458
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(11,594)	(3,976)	(22,550)	(16,671)
Net proceeds from disposition	—	—	209,474	—
Business combinations, net of acquired cash	11,871	—	(1,827,452)	—
Proceeds from disposition of investment	—	—	1,684	18,490
Net cash flows for intangibles, investments and other assets	(8,352)	(4,274)	(19,583)	(24,829)
Cash used in investing activities	(8,075)	(8,250)	(1,658,427)	(23,010)
FINANCING ACTIVITIES				
Increase (decrease) in bank loans	(28,086)	(29,807)	1,959,209	(74,670)
Redemption of notes	—	—	(550,000)	—
Debt refinancing costs	—	—	(55,671)	—
Financing fees	—	—	(23,595)	(750)
Share subscription, net of issuance costs	—	—	276,529	—
Issuance of shares under stock option plan	—	—	—	5,651
Dividends paid	(25,133)	(20,227)	(89,702)	(76,228)
Dividends paid to non-controlling interest	(6,822)	(1,050)	(19,824)	(5,603)
Other	(1,171)	(512)	(4,805)	(4,011)
Cash provided by (used in) financing activities	(61,212)	(51,596)	1,492,141	(155,611)
Net change in cash and cash equivalents during the period	3,726	(6,426)	33,941	25,837
Cash and cash equivalents, beginning of the period	67,637	43,848	37,422	11,585
Cash and cash equivalents, end of the period	71,363	37,422	71,363	37,422
Supplemental cash flow disclosures (note 17)				
See accompanying notes				

CORUS ENTERTAINMENT INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

August 31, 2016

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

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the “Company” or “Corus”) is a diversified Canadian communications and entertainment 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 and conventional television networks; the operation of radio stations; and the Corus content business which consists of the production and distribution of films and television programs, merchandise licensing, publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *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, 2015, 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, 2015, which are available at www.sedar.com and on the Company’s website at www.corusent.com.

These interim condensed consolidated statements of the Company for the three months and year ended August 31, 2016 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on October 18, 2016.

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 certain available-for-sale financial assets, 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.

Pending accounting changes

IFRS 9 — Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which reflects all phases of the financial instrument project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for recognition and measurement impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****August 31, 2016**

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

early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces IAS 18 — *Revenues* and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, which will be September 1, 2018 for Corus. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangibles

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, which will be September 1, 2016 for Corus and is to be applied prospectively. The Company has reviewed these standards and determined there is no material impact on the consolidated financial statements.

IFRS 16 – Leases

On January 13, 2016, the IASB published a new standard, IFRS 16 – *Leases*. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Other assets	Total
Balance - August 31, 2015	16,172	26,786	42,958
Increase (decrease) in investment	(689)	4,538	3,849
Fair value adjustment	—	(48)	(48)
Balance - August 31, 2016	15,483	31,276	46,759

5. PROGRAM AND FILM RIGHTS

Balance - August 31, 2015	315,899
Net additions	460,721
Acquisitions (note 18)	287,631
Disposals (note 18)	(68,683)
Amortization	(313,300)
Balance - August 31, 2016	682,268

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2016
(in thousands of Canadian dollars, except per share information)

6. FILM INVESTMENTS

Balance - August 31, 2015	36,549
Impairment recovery	822
Net additions	30,483
Amortization	(22,690)
Balance - August 31, 2016	45,164

7. INTANGIBLES

The changes in the book value of intangibles for the year ended August 31, 2016, were as follows:

	Broadcast Licenses	Other⁽¹⁾	Total
Balance - August 31, 2015	956,984	17,631	974,615
Net additions	—	122,621	122,621
Acquisitions (note 18)	78,300	987,540	1,065,840
Disposals (note 18)	(50,395)	(2,662)	(53,057)
Amortization	—	(33,782)	(33,782)
Balance - August 31, 2016	984,889	1,091,348	2,076,237

⁽¹⁾ Other intangibles are comprised of brands, trademarks, broadcast licenses and software.

At August 31, 2016, the Company performed its annual impairment test for fiscal 2016 and determined that there were no impairments for the year then ended on indefinite life intangibles.

8. GOODWILL

The changes in the book value of goodwill for the period ended August 31, 2016, were as follows:

	Total
Balance - August 31, 2015	827,859
Acquisitions (note 18)	1,617,304
Disposals (note 18)	(54,511)
Balance - August 31, 2016	2,390,652

At August 31, 2016, the Company performed its annual impairment test for fiscal 2016 and determined that there were no impairments for the year then ended.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2016
(in thousands of Canadian dollars, except per share information)

9. PROVISIONS

The continuity of provisions is as follows:

	2016	As at August 31, 2015
Restructuring		
Balance, beginning of period	10,324	5,295
Additions	29,983	19,032
Payments	(18,611)	(14,003)
Balance, end of period	21,696	10,324
Long-term portion	(890)	(1,600)
Total current restructuring provision	20,806	8,724
Other	584	206
Total current provision balance, end of period	21,390	8,930

10. LONG-TERM DEBT

	August 31, 2016	August 31, 2015
Bank loans	2,218,055	258,968
Senior unsecured guaranteed notes ("Notes")	—	550,000
Unamortized financing fees	(22,035)	(7,966)
	2,196,020	801,002
Less: current portion of bank loans	(115,000)	(150,000)
	2,081,020	651,002

Interest rates on bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2016, the weighted average interest rate on the outstanding bank loans and Notes was 4.7% (2015 – 3.9%). Interest on the bank loans and Notes averaged 4.8% and 4.6% for the fourth quarter and the year, respectively (2015 – 4.2% and 4.1% for the same comparable periods).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2016.

Credit Facilities

A syndicate of lenders has provided Corus with a senior secured revolving facility (the "Revolving Facility") and a senior secured term credit facility (the "Term Facility") under the Amended and Restated Credit Agreement dated April 1, 2016 (the "Facility").

In connection with the closing of the Acquisition (the "Acquisition"), Corus established syndicated senior secured credit facilities in the aggregate amount of \$2.6 billion consisting of \$2.3 billion in term loans (the "Term Facility"), all

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2016

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

of which was fully drawn at closing, and a \$300.0 million revolving facility (the “Revolving Facility”), which was not drawn on as part of closing. The Term Facility and Revolving Facility replace Corus’ previous credit facilities and were established pursuant to a fourth amended and restated credit agreement dated as of April 1, 2016.

Term Facility

The Term Facility consists of two tranches, with the first tranche being in the initial amount of \$766.7 million and maturing on April 1, 2019, and the second tranche being in the initial amount of \$1,533.3 million and maturing on April 1, 2021. The Term Facility was available in a single Canadian dollar drawdown, and net proceeds from the Term Facility after deducting related fees and expenses were used (together with the net proceeds from the public equity offering and the concurrent private placement) to finance the Acquisition, to prepay the amount outstanding under its existing credit facilities and to redeem the Senior Notes.

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

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers’ acceptances may only be paid on their maturity. Each tranche of the Term Facility will be subject to mandatory repayment equal to 1.25% per quarter at the end of each fiscal quarter of Corus, increasing to 1.875% per quarter commencing with the November 30, 2017 instalment and, in the case of the second tranche, to 2.5% per quarter commencing with the November 30, 2019 instalment.

Revolving Facility

The \$300.0 million Revolving Facility matures on April 1, 2020. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers’ acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers’ acceptance or Canadian dollar denominated letters of credit (to a sub-limit of \$50.0 million total), or in U.S. dollars as either a base rate loan, U.S. LIBOR loan or U.S. dollar denominated letters of credit (to a sub-limit of \$50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus’ total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at August 31, 2016, approximately \$300.0 million of the Revolving Facility was available.

On February 25, 2015, the Company’s credit agreement was amended to extend the maturity date of the Revolving Facility which consisted of a committed credit of \$500.0 million from February 11, 2017 to February 25, 2019. As a revolving facility, amounts borrowed may be repaid and re-borrowed as required through the term of the Revolving Facility. The commitment expires at the maturity date and there are no mandatory reductions to the committed amount, subject to certain covenants, during the term of the Revolving Facility.

On February 3, 2014, the Company’s credit agreement was amended and restated to establish a two year \$150.0 million Term Facility, which was incremental to the existing \$500.0 million Revolving Facility. The \$150.0 million Term Facility was fully drawn on inception and the proceeds were used to reduce the amount drawn

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****August 31, 2016**

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

on the Revolving Facility at that time. The \$150.0 million Term Facility matured on February 3, 2016 and was repaid in full on that date.

Swap agreements

On May 31, 2016, the Company entered into Canadian interest rate swap agreements to fix the interest rate on \$457.0 million and \$1,414.0 million of its outstanding term loan facilities at 1.076% and 1.195%, respectively, plus applicable margins to February 28, 2019 and February 26, 2021, respectively. The notional value of these swaps reduces concurrently with the mandatory repayments of the Term Facility. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments such as interest rate swap agreements is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. The estimated fair value of these agreements at August 31, 2016 is \$14.4 million, which has been recorded in the interim condensed consolidated statements of financial position as a liability. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

On February 3, 2014, the Company entered into Canadian dollar interest rate swap agreements to fix the interest rate on the \$150.0 million Term Facility at 1.375%, plus an applicable margin, to February 3, 2016. This hedge was concluded on February 3, 2016.

Redemption of 4.25% Senior Unsecured Guaranteed Notes Due 2020

On April 18, 2016, the Company redeemed all of its outstanding \$550.0 million 4.25% senior unsecured guaranteed notes due 2020 (the "2020 Notes"). This redemption included accrued and unpaid interest on the 2020 Notes up to, but excluding the redemption premium of \$52.6 million as well as the write-off of unamortized financing charges of \$4.8 million.

11. 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 B share subscription receipts

In connection with the Acquisition, on February 3, 2016, Corus completed a public equity offering (the "Equity Offering") of 25.40 million subscription receipts of Corus (the "Subscription Receipts") at a price of \$9.00 per Subscription Receipt, for gross proceeds of approximately \$228.6 million. On February 5, 2016, the underwriters in the Equity Offering exercised their option to purchase an additional 3.81 million Subscription Receipts at a price of \$9.00 per Subscription Receipt, for additional gross proceeds of approximately \$34.3 million, representing total gross proceeds from the Equity Offering of \$262.9 million. Concurrently with the closing of the Equity Offering, on February 3, 2016, the Shaw family also purchased 3.56 million Subscription Receipts on a private placement basis (the "Concurrent Private Placement") from Corus at a price of \$9.00 per Subscription Receipt, for gross proceeds of

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****August 31, 2016**

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

\$32.0 million. Issuance costs, net of tax of \$8.9 million and a subscription receipt adjustment payment of \$6.2 million were incurred, resulting in net proceeds of \$279.8 million.

The Class B Non-Voting Shares underlying the Subscription Receipts were issued on April 1, 2016 in connection with the completion of the Acquisition and the net proceeds from the Equity Offering and the Concurrent Private Placement (including accrued interest thereon) were applied by Corus to partially fund the cash consideration for the Acquisition.

Issued and outstanding

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	\$	#	\$	\$
Balance - August 31, 2015	3,425,792	26,529	83,754,787	968,042	994,571
Issuance of shares under public equity offering, net of issuance costs	—	—	32,770,000	279,762	279,762
Issuance of shares to related party (note 18)	—	—	71,364,853	833,541	833,541
Issuance of shares under dividend reinvestment plan	—	—	5,108,359	60,669	60,669
Shares repurchased	—	—	—	—	—
Balance - August 31, 2016	3,425,792	26,529	192,997,999	2,142,014	2,168,543

Earnings (losses) per share

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

	Three months ending		Year ended	
	2016	August 31, 2015	2016	August 31, 2015
Net income (loss) attributable to shareholders (numerator)	25	17,835	125,931	(25,154)
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding - basic	194,792	86,961	131,783	86,441
Effect of dilutive securities	210	—	75	38
Weighted average number of shares outstanding - diluted	195,002	86,961	131,858	86,479

The calculation of diluted earnings (losses) per share for both the fourth quarter and year ended August 31, 2016 excluded 2,492,573 and 2,509,491, respectively (2015 – 2,691,214 and 2,161,067, respectively) weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2016

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

Share-based compensation

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

	August 31, 2016	August 31, 2015
Outstanding employee stock options	3,753,873	2,560,873
Exercisable employee stock options	1,637,123	1,171,548
Outstanding PSUs	1,017,399	955,896
Outstanding DSUs	1,002,367	740,338
Outstanding RSUs	237,483	149,568

Share-based compensation expense (recovery) recorded for the fourth quarter and the year ended August 31, 2016 in respect of these plans was \$1,269 and \$4,085 (2015 – recovery of \$414 and expense of \$2,723). As at August 31, 2016, the carrying value of the PSU, DSU and RSU units at the end of the quarter was \$27,742 (August 31, 2015 – \$19,820).

12. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Direct cost of sales				
Amortization of program and film rights ⁽¹⁾	114,514	51,676	313,300	213,457
Amortization of film investments	8,800	9,441	22,690	27,851
Other cost of sales	8,622	7,061	22,450	24,802
General and administrative expenses				
Employee costs	84,742	37,620	232,583	149,182
Other general and administrative	62,418	32,308	169,277	122,836
	279,096	138,106	760,300	538,128

⁽¹⁾ Certain of Corus' Pay Television business ("Pay TV") assets and liabilities were reclassified as held for disposal effective November 19, 2015. The Pay TV operating results remained in operations, however, amortization of program rights ceased on that date and as a consequence, amortization is lower for the twelve months ended August 31, 2016 by \$15.6 million.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2016
(in thousands of Canadian dollars, except per share information)

13. INTEREST EXPENSE

	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Interest on long-term debt	26,690	8,334	63,340	34,558
Imputed interest on long-term liabilities	12,523	3,567	45,429	14,620
Other	575	468	2,093	1,758
	39,788	12,369	110,862	50,936

14. OTHER EXPENSE (INCOME), NET

	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Interest income	(145)	(162)	(827)	(225)
Foreign exchange loss (gain)	(377)	443	(339)	5,034
Equity loss (earnings) of investees	936	621	5,933	3,299
Film investment impairment recovery	58	—	(822)	—
Venture fund distribution	—	—	(533)	(16,964)
Other	1,244	1,672	5,340	(1,261)
	1,716	2,574	8,752	(10,117)

During the first quarter of 2016, the Company received cash proceeds of \$1,684 from Steamboat Ventures relating to the disposal of an investment, of which \$1,151 relates to a return on capital and resulting in a gain of \$533.

During the second quarter of 2015, the Company received cash proceeds of \$18,490 from Steamboat Ventures relating to the disposal of an investment, of which \$1,526 relates to a return on capital and resulting in a gain of \$16,964.

15. INCOME TAXES

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

	August 31, 2016		Year ended August 31, 2015	
	\$	%	\$	%
Tax at combined federal and provincial rates:	48,998	26.5%	3,047	26.5%
Difference from statutory rates relating to:				
(Income)/loss subject to tax at less than statutory rates	8	(0.0%)	1,902	16.5%
Non-taxable portion of capital gains	(27,945)	(15.1%)	(2,236)	(19.5%)
Goodwill impairment	14,402	7.8%	28,389	247.0%
Transaction costs	4,445	2.4%	(465)	(4.1%)
Increase (recovery) of various tax reserves	235	0.1%	(1,570)	(13.7%)
Miscellaneous differences	1,432	0.8%	1,926	17.0%
	41,575	22.5%	30,993	269.7%

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****August 31, 2016**

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

16. BUSINESS SEGMENT INFORMATION

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

Television

The Television segment is comprised of 45 specialty television networks, pay television services (discontinued February 29, 2016), 15 conventional television stations, and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, publishing and animation software. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing, publishing and animation software sales.

Radio

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

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

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring, impairments 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.

Revenues and segment profit**Three months ended August 31, 2016**

	Television	Radio	Corporate	Consolidated
Revenues	347,283	37,184	—	384,467
Direct cost of sales, general and administrative expenses	240,466	28,675	9,955	279,096
Segment profit (loss)	106,817	8,509	(9,955)	105,371
Depreciation and amortization				33,585
Interest expense				39,788
Business acquisition, integration and restructuring costs				19,559
Other expense, net				1,716
Income before income taxes				10,723

CORUS ENTERTAINMENT INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

August 31, 2016

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

Three months ended August 31, 2015

	Television	Radio	Corporate	Consolidated
Revenues	154,338	39,261	—	193,599
Direct cost of sales, general and administrative expenses	101,763	30,758	5,585	138,106
Segment profit (loss)	52,575	8,503	(5,585)	55,493
Depreciation and amortization				6,138
Interest expense				12,369
Business acquisition, integration and restructuring costs				8,337
Other expense, net				2,574
Income before income taxes				26,075

Year ended August 31, 2016

	Television	Radio	Corporate	Consolidated
Revenues	1,015,609	155,705	—	1,171,314
Direct cost of sales, general and administrative expenses	611,384	119,546	29,370	760,300
Segment profit (loss)	404,225	36,159	(29,370)	411,014
Depreciation and amortization				73,969
Interest expense				110,862
Debt refinancing costs				61,248
Business acquisition, integration and restructuring costs				57,198
Gain on disposition				(86,151)
Other expense, net				8,752
Income before income taxes				185,136

Year ended August 31, 2015

	Television	Radio	Corporate	Consolidated
Revenues	653,770	161,545	—	815,315
Direct cost of sales, general and administrative expenses	393,641	124,538	19,949	538,128
Segment profit (loss)	260,129	37,007	(19,949)	277,187
Depreciation and amortization				24,057
Interest expense				50,936
Broadcast license and goodwill impairment				130,000
Intangible asset impairment				51,786
Business acquisition, integration and restructuring costs				19,032
Other income, net				(10,117)
Income before income taxes				11,493

CORUS ENTERTAINMENT INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****August 31, 2016**

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

The following tables present further details on the operating segments within the Television and Radio segments:

Revenues are derived from the following areas:

	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Advertising	226,250	82,049	661,818	390,295
Subscriber fees	128,179	85,379	405,728	340,320
Merchandising, distribution and other	30,038	26,171	103,768	84,700
	384,467	193,599	1,171,314	815,315

Segment assets and liabilities

	August 31, 2016	August 31, 2015
Assets		
Television	5,581,543	2,167,342
Radio	266,239	264,730
Corporate	245,603	200,037
	6,093,385	2,632,109
Liabilities		
Television	1,240,959	460,800
Radio	56,092	72,976
Corporate	2,319,987	878,422
	3,617,038	1,412,198

Assets and liabilities are located primarily within Canada.

17. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three months ended August 31,		Year ended August 31,	
	2016	2015	2016	2015
Interest paid	27,080	14,512	66,722	36,175
Interest received	145	162	827	225
Income taxes paid	15,759	7,050	42,778	27,676

18. BUSINESS COMBINATIONS AND DIVESTITURES

Acquisition of Shaw Media Inc. (“Shaw Media”) from a Related Party

On April 1, 2016, the Company acquired the shares of Shaw Media (the “Acquisition”) from Shaw Communications Inc. (“Shaw”) for approximately \$2.65 billion, subject to certain post-closing adjustments, satisfied by the Company through a combination of: a) \$1.85 billion of cash consideration; and b) the issuance by the Company to Shaw of 71,364,853 Class B Non-Voting Shares (the “Class B Shares”) at a value per share of \$11.21 per share for an aggregate value of \$800.0 million. These shares, although valued at \$11.21 per share, were valued for accounting purposes at \$833.5 million, which reflects the opening price of the Company’s stock on April 1, 2016 of \$11.68 per share.

Shaw Media operates Global Television and 19 specialty channels, and their online companions, including Food Network Canada, HGTV Canada, HISTORY, Slice, National Geographic Channel and Showcase. The Acquisition was a business combination between entities under common control and will be accounted for by the Company using the acquisition method. The Company has not completed the valuation of assets acquired and liabilities to be assumed.

Purchase price allocation

Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. The Company determined the preliminary fair values based on discounted cash flows, market information, independent valuations and management’s estimates.

Fair value recognized on acquisition date:

Assets	
Cash	13,153
Accounts receivable	243,534
Prepaid expenses and other	12,512
Property, plant and equipment	160,875
Program and film rights	287,631
Intangibles	1,065,840
Total assets	1,783,545
Liabilities	
Accounts payable, accrued liabilities and provisions	215,971
Other long-term liabilities	164,058
Deferred income tax liabilities	203,521
Total liabilities	583,550
Total identifiable net assets at fair value	1,199,995
Goodwill arising on acquisition ⁽¹⁾	1,614,965
Value of non-controlling ownership interest	(143,290)
Purchase price	2,671,670
Class B non-voting share consideration	(833,541)
Cash consideration	1,838,129

⁽¹⁾ Goodwill arises principally from the ability to leverage media content, the reputation of assembled workforce and future growth. Goodwill is not deductible for tax purposes.

Revenues of \$407.3 million and net income attributable to shareholders of \$21.9 million are included in the consolidated statements of income and comprehensive income from the date of acquisition. Corus’ consolidated operating revenues and net income attributable to shareholders for the year ended August 31, 2016 would have been \$1,781.8 million and \$195.8 million, respectively, had the Shaw Media acquisition occurred on

September 1, 2015. These pro forma amounts reflect the elimination of intercompany transactions, financing costs related to the acquisition, the amortization of certain elements of the purchase price allocation and related adjustments.

Disposition of Certain Pay Television Assets (“Pay TV”)

On November 19, 2015, the Company entered into an agreement with BCE Inc. (“Bell”) to discontinue operations of its Pay TV business (Movie Central, Encore and HBO Canada) and facilitate certain contractual and other arrangements, and take certain other actions, that are necessary or desirable in connection with Bell’s intent to expand the Bell premium pay television services so that they are available on a national basis. The Company received from Bell \$211.0 million in consideration to support Bell’s national expansion.

On November 19, 2015, the Company determined that the carrying value of certain programming assets, broadcast licenses, and goodwill, along with some directly associated program right liabilities formed a disposal group, whose value would not be recovered principally through continuing use. Accordingly, at that date the disposal group was presented separately in the statement of financial position as held for disposal in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, measured at the lower of carrying value and fair value less costs to sell, and amortization on such assets has ceased. As a result, amortization in the Television segment for the twelve months ended August 31, 2016 is approximately \$15.6 million lower than it would have been had these assets continued to be amortized.

The results of the operations of the Company’s Pay TV business were included in the Television segment until February 29, 2016, as Bell launched its national service on March 1, 2016. A gain of \$86.2 million was recorded, which resulted from cash proceeds of \$211.0 million less the carrying value of the disposal group.

Acquisition of assets of Fast File Media Services Inc. (“Fast File”)

On September 16, 2015, the Company acquired certain assets of the Fast File business for a purchase price of \$2.5 million. These assets were accounted for at their fair value. These assets are included in the Television segment effective September 16, 2015. The purchase price equation was accounted for using the purchase method.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 interim condensed consolidated financial statements.

