## Management's Discussion and Analysis

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2016 is prepared at October 31, 2016. The following should be read in conjunction with the Company's August 31, 2016 audited consolidated financial statements and notes therein. The financial highlights included in the discussion of the segmented results are derived from the audited 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.

***Use of non-IFRS financial measures***

The Management's Discussion and Analysis contains references to certain measures that do not have a standardized meaning under IFRS as prescribed by the International Accounting Standards Board and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. Accordingly, non-IFRS measures should not be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. The Company presents non-IFRS measures, specifically, segment profit, adjusted segment profit, adjusted net income, adjusted basic earnings per share, free cash flow, net debt and net debt to segment profit.

The Company believes these non-IFRS measures are frequently used by securities analysts, investors and other interested parties as measures of financial performance and to provide supplemental measures of operating performance and thus highlight trends that may not otherwise be apparent when relying solely on IFRS financial measures. A reconciliation of the Company's non-IFRS measures is included in this report as well as the Report to Shareholders which is available on Corus' website at www.corusent.com.

***Cautionary statement regarding forward-looking statements***

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

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking 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, currency value fluctuations and interest rates, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances 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, currency value fluctuations and interest rates, 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, regulations, and policies 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.

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.

## OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") is a Canadian-based integrated media and content company that creates and delivers high quality brands and content across platforms for audiences in Canada and around the world. The Company's portfolio of multimedia offerings encompasses 45 specialty television networks, 15 conventional television stations, 39 radio stations and a global content business, digital assets, children's book publishing, animation software, technology and media services.

Corus operates through two operating segments: Television and Radio. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating segments. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations, platforms and other advertising media, government regulation, market competition from other distributors of animated and factual reality programming, and Corus' ability to continue to provide popular programming.

### Television

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

Revenues for the specialty television networks are generated from both advertising and subscribers, while revenues from the conventional television stations are derived solely from advertising. Revenues for the content business are generated from the licensing of proprietary films and television programs, merchandise licensing, children's book publishing and animation software, and media and technology service sales. For both advertising and subscriber revenues, it is critical that the Company offer Canadians entertaining content that engages them. The Company's content is available to Canadians through a variety of platforms, including conventional or specialty television, online websites or mobile apps. Catering to consumer demand for quality and choice, the Company strives to offer the best content available to Canadians when and where they choose to consume it.

### Radio

The Radio segment is comprised of 39 radio stations across Canada situated primarily in high-growth urban centres in English Canada, with a concentration in the densely populated area of Southern Ontario. The Company's primary method of distribution is over-the-air, analog radio transmission, with additional delivery platforms including HD Radio, websites and mobile apps.

Revenues for the Company's radio business are derived primarily from advertising.

## ANNUAL SELECTED FINANCIAL INFORMATION

The following table presents summary financial information for Corus for each of the listed years ended August 31:

| (in millions of Canadian dollars, except percentages and per share amounts) | | | | % Increase (Decrease) | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2016 over 2015 | 2015 over 2014 |
| **Revenues** | **1,171.3** | 815.3 | 833.0 | 43.7 | (2.1) |
| **Segment profit**[1] | **411.0** | 277.2 | 289.6 | 48.3 | (4.3) |
| **Net income (loss) attributable to shareholders** | **125.9** | (25.2) | 150.4 | | |
| **Adjusted net income attributable to shareholders**[1] | **129.0** | 135.9 | 150.3 | | |
| Basic earnings (loss) per share | **$ 0.96** | $ (0.29) | $ 1.77 | | |
| Adjusted basic earnings per share[1] | **$ 0.98** | $ 1.57 | $ 1.77 | | |
| Diluted earnings (loss) per share | **$ 0.96** | $ (0.29) | $ 1.76 | | |
| Total assets | **6,093.4** | 2,632.1 | 2,784.6 | | |
| Long-term debt (inclusive of current portion) | **2,196.0** | 801.0 | 874.3 | | |
| **Cash dividends declared per share** | | | | | |
| Class A Voting | **$1.1350** | $1.1142 | $1.0558 | | |
| Class B Non-Voting | **$1.1400** | $1.1192 | $1.0608 | | |

Notes:

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

## RESULTS OF OPERATIONS

The following table presents summary financial information for Corus' operating segments and a reconciliation of net income to segment profit for each of the listed years ended August 31:

| (in thousands of Canadian dollars, except percentages) | **2016** | 2015 | % Increase (Decrease) 2016 over 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Television | **1,015,609** | 653,770 | 55.3 |
| Radio | **155,705** | 161,545 | (3.6) |
| | **1,171,314** | 815,315 | 43.7 |
| **Direct cost of sales, general and administrative expenses** | | | |
| Television | **611,384** | 393,641 | 55.3 |
| Radio | **119,546** | 124,538 | (4.0) |
| Corporate | **29,370** | 19,949 | 47.2 |
| | **760,300** | 538,128 | 41.3 |
| **Segment profit**[1] | | | |
| Television | **404,225** | 260,129 | 55.4 |
| Radio | **36,159** | 37,007 | (2.3) |
| Corporate | **(29,370)** | (19,949) | 47.2 |
| | **411,014** | 277,187 | 48.3 |
| Depreciation and amortization | **73,969** | 24,057 | |
| Interest expense | **110,862** | 50,936 | |
| Broadcast license and goodwill impairment | **—** | 130,000 | |
| Debt refinancing | **61,248** | — | |
| Intangible impairment | **—** | 51,786 | |
| Business acquisition, integration and restructuring costs | **57,198** | 19,032 | |
| Gain on disposition | **(86,151)** | — | |
| Other expense (income), net | **8,752** | (10,117) | |
| Income before income taxes | **185,136** | 11,493 | |
| Income tax expense | **41,575** | 30,993 | |
| **Net income (loss) for the year** | **143,561** | (19,500) | |

| | | | |
|---|---|---|---|
| **Net income (loss) attributable to:** | | | |
| Shareholders | **125,931** | (25,154) | 600.6 |
| Non-controlling interest | **17,630** | 5,654 | 211.8 |
| **Net income (loss) for the year** | **143,561** | (19,500) | 836.2 |

[1] As defined in Key Performance Indicators section

## FISCAL 2016 COMPARED TO FISCAL 2015

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2016, we refer you to Corus' Fourth Quarter 2016 Report to Shareholders filed on SEDAR on October 19, 2016.

The following discussion describes the significant changes in the consolidated results from operations for the year ended August 31, 2016 compared to the prior year.

Commencing April 1, 2016, 100% of the operating results of 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 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016 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 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016 for further details).

### *Revenues*

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, which is included in the Television segment as of 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*

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 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*

For the year ended August 31, 2016, consolidated segment profit was $411.0 million, up 48% from $277.2 million last year, however, this 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 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*

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 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 year ended August 31, 2016, was $110.9 million, up from $50.9 million, 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 $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 $28.8 million for the fiscal year is attributable to increased bank debt associated with the financing of the Acquisition.

The effective interest rate on bank loans and notes for the year ended August 31, 2016 was 4.6% compared to 4.1%, in the prior year. The higher effective rates for the 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.

### *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 14 of the Company's audited 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 its 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 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 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. 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 change across the Company. 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. ("Bell") to cease operations of its Pay TV business. Further detail is provided in the discussion of the segmented results as well as note 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016.

### *Other expense (income), net*

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 associates 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 exchange gains of $0.3 million. In the prior year, other income includes cash proceeds of $18.5 million from a venture 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 associates of $3.3 million and foreign exchange 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 a 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 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 year ended August 31, 2015 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 year ended August 31, 2016, was 131,783,000, and has increased significantly in the current fiscal year due to 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. The number of shares outstanding also increased from the issuance of shares from treasury under the Company's dividend reinvestment plan.

### *Other comprehensive income (loss), net of income taxes*

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 networks, 15 conventional television stations and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, children's book 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 from Shaw, which included 19 specialty television networks, 12 Global Television branded conventional television stations ("Global Television"), Global News, globalnews.ca, and HistoryGO and GlobalGO mobile apps.

**Financial Highlights**

| (thousands of Canadian dollars) | **August 31, 2016** | Year ended August 31, 2015 |
|---|---|---|
| Revenues | **1,015,609** | 653,770 |
| Expenses | **611,384** | 393,641 |
| Segment profit [(1)] | **404,225** | 260,129 |
| Amortization of Pay TV assets | **15,585** | — |
| Adjusted segment profit [(1)] | **388,640** | 260,129 |

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

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 fiscal year was 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 $407.3 million in total revenues for the five months ended August 31, 2016.

The following discussion highlights revenues for 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 for both fiscals 2015 and 2016. On a pro forma basis, total revenues were down 2% in fiscal 2016 compared to the prior year. Advertising revenues were down 8% in fiscal 2016 compared to the prior year, as a result of several factors including soft advertising market conditions, 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 competitors' networks). Both conventional and specialty television networks were negatively impacted in the current year by the summer Olympics and Euro 2016. In addition, Global Television faced tougher comparables to the prior year, as the prior year results benefited from the Federal election coverage, a stronger summer schedule on Global, and more advertising support for blockbuster theatrical releases. This was offset by growth in the subscription video-on-demand market.

On a pro forma basis, total subscriber revenues increased 8% in 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 the renewal of certain carriage agreements in the fourth quarter.

On a pro forma basis, merchandising, distribution and other revenues increased 6% in fiscal 2016 reflecting growth in distribution revenues from content licensing deals in the subscription video-on-demand market.

For the year ended August 31, 2016, total expenses increased 55% compared to the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) were 36% 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 91% from the prior year, driven by the incremental operating costs of the acquired Shaw Media services, offset by the realization of cost synergies.

For the year ended August 31, 2016, segment profit increased 55% and segment profit margin was 40%. However, this excludes the amortization of disposed Pay TV program and film rights in the amount of $15.6 million.

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 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016.

## 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

| | | Year ended |
|---|---|---|
| (thousands of Canadian dollars) | **August 31, 2016** | August 31, 2015 |
| Revenues | **155,705** | 161,545 |
| Expenses | **119,546** | 124,538 |
| Segment profit(1) | **36,159** | 37,007 |

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

For the year ended August 31, 2016, revenues decreased 4% compared to the prior year. The majority of the revenue decline came from Western Canada, driven by soft economic conditions in Alberta. This was offset by growth in Ottawa and Vancouver and steady performance in Toronto.

Direct cost of sales, general and administrative expenses decreased 4% for the fiscal year ended August 31, 2016. Variable expenses decreased 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 year. The declines were driven mainly by lower employee-related costs and programming research, offset by higher premises costs.

For the year ended August 31, 2016, segment profit decreased 2% compared to the prior year and segment profit margin 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 benefits from the combined power of the Company's radio operations and its conventional television stations to create a strong presence in local markets – across radio, TV and digital. Accordingly, the fiscal year results reflect the realization of cost synergies derived from these efforts.

Subsequent to the year end, 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.

## 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

| | | Year ended **August 31,** |
|---|---|---|
| (thousands of Canadian dollars) | **2016** | 2015 |
| Share-based compensation | **4,085** | 2,723 |
| Other general and administrative costs | **25,285** | 17,226 |
| | **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.

Higher share-based compensation expense for the year ended August 31, 2016 reflects an expanded number of participants in the long-term incentive plans and an increase in the number of units estimated to hit vesting targets, partially offset by a lower share price in the current year.

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***

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 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 for the year ended August 31, 2015.

[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 | Earnings per share Diluted | Earnings per share 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 were positively impacted by the Acquisition and inclusion of its operating results effective April 1, 2016; however, they were 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 income tax effects (refer to note 27 of the Company's audited consolidated 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 27 of the Company's audited 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 and associates offset by equity loss 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 27 of the Company's audited 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 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016.

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 payable offset by lower film investment accruals and capital lease obligations. Further discussion is provided in note 27 to the Company's audited 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 14 of the Company's audited 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 16 and 27 of the Company's audited 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 prior year end. 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 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 increase 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.

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 Bell, net of certain fees, 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 from a venture investment 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 total bank debt less cash and cash equivalents.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay bank 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.

As at August 31, 2016, the Company had available approximately $300.0 million under its 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 14 of the Company's audited consolidated financial statements for the year ended August 31, 2016.

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 compares 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 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, 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 the 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 income taxes, 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 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.

### *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 $52.6 million. In addition, the Company wrote-off associated unamortized financing charges of $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 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.

### *Contractual commitments*

The Company has the following undiscounted contractual obligations at August 31, 2016:

| [thousands of Canadian dollars] | **Total** | **Within 1 year** | **2 - 3 years** | **4 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| Total debt [(1)] | 2,218,054 | 115,000 | 931,021 | 1,172,033 | — |
| Purchase obligations [(2)] | 1,071,060 | 548,811 | 330,654 | 131,813 | 59,782 |
| Operating leases [(3)] | 467,924 | 39,755 | 65,765 | 56,411 | 305,993 |
| Other obligations[(4)] | 254,506 | 77,713 | 84,646 | 64,809 | 27,338 |
| Financing leases | 2,406 | 1,586 | 820 | — | — |
| **Total contractual obligations** | **4,013,950** | **782,865** | **1,412,906** | **1,425,066** | **393,113** |

(1) Principal repayments and interest payments

(2) Purchase obligations are contractual obligations under contracts relating to program rights, satellite and signal transport costs, and various other operating expenditures, that the Company has committed to for periods ranging from one to ten years.

(3) Operating leases included office, equipment and automobile leases.

(4) Other obligations included financial liabilities, trade marks, other intangibles and CRTC commitments.

In addition to the contractual obligations in the table above, the Company will pay interest on any bank debt outstanding in future periods. In fiscal 2016, the Company incurred interest on bank debt of $47.1 million (2015 – $10.8 million).

## KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. In addition to disclosing results in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. 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. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

### Revenue

Revenue is a measurement defined by IFRS. Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of an entity that results in increases in equity, such as cash, receivables or other consideration arising from the sale of products and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is one of the bases upon which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the *Overview* section.

The Company's sources of revenue are well diversified, with revenue streams for the year ended August 31, 2016 derived primarily from three areas: advertising 56%, subscriber 35% and merchandising, distribution and other 9% (2015 – 48%, 42% and 10%, respectively).

### Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber revenues are derived); amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived); other cost of sales relating to merchandising, studio service work, publishing, marketing (research and advertising costs); employee remuneration; regulatory license fees; and selling, general administration and overhead costs. For the year ended August 31, 2016, consolidated direct cost of sales, general and administrative expenses were comprised of direct cost of sales 47%, employee remuneration 31%, and general and administrative expenses 22% (2015 – 49%, 26%, and 25%, respectively).

**Segment profit and segment profit margin**

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 Comprehensive Income. Segment profit may be calculated and presented for an individual operating segment, a line of business, 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 or lines of business and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; significant intangible asset impairment; debt refinancing; non-cash gains or losses; business acquisition, integration and restructuring costs; and certain other income and expenses as included in note 20 to the audited 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 22 to the audited consolidated financial statements. Segment profit margin is calculated by dividing 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.

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:

**Adjusted segment profit and adjusted segment profit margin**

Adjusted segment profit is calculated as segment profit less amortization of Pay TV programming assets as 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, except percentages) | **2016** | 2015 |
|---|---|---|
| Revenues | **1,171,314** | 815,315 |
| Direct cost of sales, general and administrative expenses | **760,300** | 538,128 |
| **Segment profit** | **411,014** | 277,187 |
| Amortization not taken on Pay TV assets disposed of | **(15,585)** | — |
| **Adjusted segment profit** | **395,429** | 277,187 |
| **Segment profit margin** | **35%** | 34% |
| **Adjusted segment profit margin** | **34%** | 34% |

***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] | **2016** | 2015 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | **200,227** | 204,458 |
| Investing activities | **(1,658,427)** | (23,010) |
| | **(1,458,200)** | 181,448 |
| Add back: cash used for business combinations and strategic investments [1] | **1,855,839** | 19,765 |
| Deduct: net proceeds from disposition | **(209,474)** | — |
| **Free cash flow** | **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 benefited from the proceeds associated with the disposition of a venture investment 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 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.

| (thousands of Canadian dollars) | **2016** | 2015 |
|---|---|---|
| **Net income (loss) attributable to shareholders** | **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 | **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** | **129,033** | 135,922 |

| (per share amounts) | **2016** | 2015 |
|---|---|---|
| **Basic earnings (losses) per share** | **$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 | **0.35** | 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** | **$0.98** | $1.57 |

### *Net debt*

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 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 |
| 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 Shaw Media business 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 net debt to segment profit of 3.7 times.

## ENTERPRISE RISK MANAGEMENT

Corus' enterprise risks are largely derived from the Company's business environment and are fundamentally linked to Corus' strategies and business objectives. Corus strives to proactively mitigate its risk exposures through rigorous performance planning, and effective and efficient business operational management. Residual exposure for certain risks is mitigated through appropriate insurance coverage where this is judged to be efficient and commercially available.

Corus strives to avoid taking on undue risk exposures whenever possible and ensures any potential risks are aligned with business strategies, objectives, values and risk tolerance.

**Risk governance**

The Board of Directors is responsible for overseeing management with respect to the management of the principal risks of the Company and ensuring that there are systems in place to effectively monitor and manage these risks. This includes oversight of the implementation of enterprise risk management procedures and the development of entity level controls. The Board carries out its risk management mandate primarily through the support of Board Committees and senior management as follows:

- The Audit Committee, which is responsible for overseeing the Company's policies and processes designed to mitigate and manage applicable regulatory compliance risk, including the adequacy of internal control over financial reporting;
- The Human Resources and Compensation Committee, which is responsible for the Company's policies and processes designed to mitigate and manage risks associated with the Company's compensation plans;
- The Corporate Governance Committee, which is responsible for maintaining and monitoring the Company's governance processes, including its Code of Conduct;
- The Executive Leadership Team, which is responsible for the establishment of enterprise risk management processes (which is carried out by the Company's Risk Management Committee).

In addition, entity level controls, including the Company's Code of Conduct (which is required to be reviewed and signed to confirm compliance annually by directors and officers of the Company), financial controls and other governance processes are in place and monitored regularly by the Company's Risk and Compliance group (which functions independently from management) who report to the Audit Committee on a quarterly basis.

**Risk management**

The Company has established an Enterprise Risk Management Framework ("ERM") which includes identifying, assessing, managing and monitoring the significant risks that impact the Company.

A strategic risk assessment is conducted as part of the Company's strategic planning process to identify and assess the key business risks facing Corus and their potential impact on the achievement of the Company's strategic plans. Emerging risks are included in the assessment and risks are prioritized using standard risk assessment criteria.

The Risk Management Committee ("RMC"), which reports to the Executive Leadership Team, is mandated to maintain the Company's ERM for identifying, assessing, managing, monitoring and reporting the significant risks that impact the Company. The RMC is comprised of various senior managers from across the organization, with all key operating segments and functions represented. The Committee meets on a quarterly basis to review financial, hazard, operational and strategic risks to the Company. The likelihood and impact of these risks are ranked on a high, medium and low basis. These risks are reviewed by the Company's Disclosure Committee, the Chief Financial Officer and the Chief Executive Officer, and finally, with the Board as part of the quarterly risk review process.

## RISKS AND UNCERTAINTIES

This section describes the principal risks and uncertainties that could have a material adverse effect on the business and financial results of the Company and its subsidiaries.

### A. Impact of regulation on Corus' results of operations

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licensees such as scheduling requirements for Canadian Content, Canadian Content spending levels, limits on content genres on certain networks, access obligations (i.e. closed captioning or descriptive video) and other obligations. Changes resulting from the CRTC's interpretations of existing policies and regulations could be materially adverse to Corus' business and financial results.

Canadian Content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, Corus would not be able to use the programs to meet its Canadian Content programming obligations and Corus might not qualify for certain Canadian tax credits and industry incentives.

In addition, to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus' Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus' Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television and specialty television undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licenses, Corus is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collectives (which represent the copyright owners) and individual copyright owners. These royalties are paid by these undertakings in the normal course of their business.

The levels of the tariff royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

Refer also to the *Canadian Communications Industry – Regulatory Environment* section of the Company's Annual Information Form for further information.

***CRTC Policy Review: Let's Talk TV***

In October 2014, the CRTC completed the public element of a broad television policy review which it called "Let's Talk TV". The Commission's stated key issues were as follows:

- Maximizing choice and flexibility (pick and pay);
- Relationships between broadcasting distribution undertakings and programmers;
- Ways to foster local programming, including a regulatory model for conventional television; and
- Ways to foster compelling Canadian programming, including program production, promotion, exhibition and Canadian programming expenditures.

The detailed policy matters touched on many areas beyond these points.

A series of CRTC policy statements and substantive decisions under the overall mantle known as "Let's Talk TV" have introduced several changes to the regulatory framework governing Broadcasting Distribution Undertakings ("BDUs") and Broadcasting Undertakings. Some of these could affect the Company.

What follows is a précis of pending and proposed changes that could affect the Company.

On January 29, 2015, the CRTC asked the industry to examine the process of simultaneous substitution of US network stations by Canadian stations carrying the same program at the same time. The Commission also proposed a prohibition on simultaneous substitution of the NFL Super Bowl starting in 2017. This ban has been subject to a legal challenge by the Canadian rights holder network CTV which supplies three of the Company's local conventional stations with programming as of August 30, 2015, and the matter is currently pending a decision by the Federal Court.

On March 12, 2015, the CRTC eliminated genre protection, which allows the Company to adapt the nature of service for its television services according to market conditions. The Commission also established on this date an open entry licensing system, with Canadian ownership status and carriage in more than 200,000 subscriber homes being effectively the only conditions required to be licensed as a Broadcasting Undertaking. The Commission also proposed an open entry system for video on demand services that meet certain criteria.

In March, 2015, the CRTC issued revised carriage rules for BDUs by amending its distribution regulations, which created an obligation starting March 1, 2016 for BDUs to offer an entry level basic service of local broadcast stations and certain mandatory distribution specialty services at a maximum price of C$25 retail a month.

The Commission also grouped all services into three license categories: basic; discretionary; and on-demand services.

Starting March 1, 2016, BDUs were required to offer all discretionary services on an à la carte basis, or "build your own package" or in theme pack packages of 10 services.

On December 1, 2016, BDUs will be required to expand consumer choice to pure à la carte.

However, the BDU can offer, and a consumer can maintain, their status quo packages. The Commission also finalized its code in January 2016, which circumscribes wholesale pricing and negotiations related thereto.

The Commission also proposed changes to the level of linear Canadian Content requirements to commence in 2017. This would reduce the Canadian Content obligations of the Company's services.

On January 7, 2016, the Commission published the new Television Service Provider Code of Conduct. This code mandates clear language on customer agreements, transparency in charges, promotion of new packaging rules, service call scheduling and rebates for service outages.

On June 15, 2016, the CRTC issued its new policy for local and community television. The CRTC created new obligations for exhibition and expenditures for "locally reflective content". It also created new funding mechanisms that allows vertically integrated companies to redirect community television expenditures to local television stations.

On June 15, 2016, the Commission announced that the Group Based Licensing hearings for all large English- and French-language ownership groups will be held in November 2016. The main issues of the hearing are the Canadian Programming Expenditure requirements and expenditure obligations toward programming of public national interest. The Company will also be seeking to remove all the vestiges of legacy conditions of license given the open licensing environment created by the CRTC.

The potential outcome of this process is difficult to predict and as such, Corus is unable to quantify the potential impacts at the present time. These could be materially adverse to the Company's financial results.

More information can be found at www.crtc.gc.ca

***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

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.

**B. Competition**

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, music formats, talent, television programs or networks because the revenues derived depend upon audience acceptance of these or other competing programs released into, or networks existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could rapidly change, and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty television networks and conventional television stations would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

***Radio***

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenues within its geographic market, its promotional and other expenses incurred to obtain the revenues and the economic strength of its geographic market. Radio advertising revenues are highly dependent upon audience share. Audience share is derived from interest in on-air talent, music formats, and other intangible factors. This can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other broadcast, digital and print media. Potential advertisers can substitute advertising through the broadcast television system (which can offer concurrent exposure on a number of networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, the Internet and mobile advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. In markets near the U.S. border, such as Kingston, Corus also competes with U.S. radio stations. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

***Television – broadcast business***

The financial success of Corus' specialty television business depends on obtaining revenues from advertising and subscribers, while Corus' conventional television business depends on obtaining revenues from advertising. As well, these services are dependent on the effective management of programming costs.

### *i) Advertising and subscriber revenues*

Numerous broadcast and specialty television networks compete with Corus for advertising revenues. The CRTC continues to grant new specialty television licenses which further increases competition. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC, such as A&E and CNN. Moreover, increasingly, Corus' specialty and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC (see *Technological Developments*). This competition takes the form of competition for the supply of programming and also for audiences. This can affect both the costs and revenues of a network. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support, and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers to achieve high distribution levels. Any failure by Corus' specialty and conventional television services to compete effectively could materially adversely affect Corus' results of operations.

### *ii) Programming expenditures*

Programming costs are one of the most significant expenses in the Television segment. Although the Company has processes to effectively manage these costs, increased competition in the television broadcasting industry due to factors mentioned above, changes in viewer preferences and other developments could impact the availability of programming content and adversely impact Corus' results of operations.

### *iii) 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 with 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.

***Television – content business***

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available timeslots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive timeslots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

**C. Production of film and television programs**

Each production is an individual artistic work and its commercial success is determined primarily by the size of the market and audience acceptance. The latter cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotional and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other ephemeral and intangible factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, a significant number of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty.

Consequently, revenues from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Revenues from the film library can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

**D. Merchandising**

Success of merchandising brands depends on consumers' tastes and preferences that can change in unpredictable ways. The Company depends on the acceptance by consumers of its merchandising offerings, therefore, success depends on the ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, the Company derives royalties from the sale of licensed merchandise by third parties. Corus is dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect the Company's operating results.

**E. Intellectual property rights**

Corus' trade marks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trade marks, copyrights and other proprietary rights to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trade marks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties may contest or infringe upon the Company's intellectual property rights.

The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trade marks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trade marks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trade marks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

**F. Production of websites**

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as online games and third-party posts of content and links. Corus takes steps to ensure that procedures are in place to clear rights and to vet third-party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

**G. Technological developments**

New or alternative media technologies and business models, such as video-on-demand, subscription-video-on-demand, high-definition television, personal video recorders, mobile television, internet protocol television, over-the-top internet-based video entertainment services, digital radio services, satellite radio and direct-to-home satellite compete for programming and audiences. As well, mobile devices like smartphones and tablets allow consumers to access content anywhere, anytime. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

### H. Acquisitions

The Company may, from time to time, make strategic acquisitions which involve significant risks and uncertainties. As such, the Company may experience difficulties in gaining regulatory approval, realizing the anticipated benefits, incur unanticipated expenses and/or have difficulty incorporating or integrating the acquired business, the occurrence of which could have a materially adverse effect on the Company.

### I. Integration of the Shaw Media 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 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, financial reporting and other operating systems, could have a material adverse effect on the business, financial condition and results of operations of Corus.

### J. 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 materially 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 materially adverse effect on the Company's financial position. Furthermore, subsequent to 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 subsequent to 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.

### K. Distribution

Corus enters into long-term agreements with various BDUs, including cable, Internet protocol television ("IPTV"), satellite and multipoint distribution systems ("MDS") providers, for the distribution of its television services. As the contracts expire, there could be a negative impact on revenues if the Company is unable to renew them on acceptable terms which include revenues per subscriber and packaging that ultimately determines the networks household reach.

### L. Economic conditions

The Company's operating performance depends on Canadian and worldwide economic conditions. Economic uncertainty could impact demand for Corus' advertising airtime and other offerings across its platforms as companies reduce their advertising spending. There can be no assurance that an economic decline will not adversely affect the Company's operating results.

### M. Capital markets

The Company may require continuing access to capital markets to sustain its operations. Disruptions in the capital markets, including changes in market interest rates or the availability of capital, could have a materially adverse effect on the Company's ability to raise or refinance debt.

### N. Financial risks

The Company is exposed to various risks related to its financial assets and liabilities that include credit risk, interest rate risk, foreign currency risk and leverage risk. These risk exposures are managed on an ongoing basis:

***Credit risk***

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The Company's trade receivables and allowance for doubtful accounts balances at August 31, 2016 were $383.2 million and $3.4 million, respectively.

***Interest rate risk***

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 14 to the audited consolidated financial statements. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR.

The Company manages its exposure to floating interest rates through the maintenance of a balance of fixed rate and floating rate debt. As at August 31, 2016, 83% (2015 – 87%) of the Company's consolidated long-term debt was fixed with respect to interest rates. From time-to-time, Corus also manages this risk through the use of interest rate swap contracts to fix the interest rate on its floating rate debt.

***Foreign currency risk***

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 4% of Corus' total revenues in fiscal 2016 (2015 – 5%) were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 24 to the audited consolidated financial statements.

***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.

### O. Unionized labour

Approximately 29% 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 that 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.

### P. Pension and other employee benefit obligations

Economic fluctuations could adversely impact the funding and expenses associated with pension 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.

### Q. Information systems and internal business processes

The day-to-day operations of the Company are highly dependent on information technology systems and internal business processes. An inability to operate or enhance information technology systems could have an adverse impact on the Company's ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems or processes will not have an adverse effect on the Company's operating results.

In addition, an inability to protect the Company's systems, applications and information repositories against cyber threats, which include cyber attacks such as, but not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information or other breaches of network of IT security could have an adverse impact on the Company's business operations and could harm the Company's brand, reputation and customer relationships. Although the Company has taken steps to reduce these risks, there can be no assurance that future cyber threats, if to occur, will not have an adverse effect on the Company's operating results.

### R. Holding company structure

Substantially all of Corus' business activities are operated by its subsidiaries. As a holding company, the Company's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

### S. Dividend payments

The Company currently pays monthly share dividends on both its Class A Voting Shares and Class B Non-Voting Shares in amounts approved quarterly by the Board of Directors. While the Company expects to generate sufficient free cash flow in fiscal 2017 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue common share dividend payments at the current level.

### T. Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2016, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

## TRANSACTIONS WITH RELATED PARTIES

Related party transactions are reviewed by Corus' Corporate Governance Committee, the majority of whom are independent directors. The following sets forth certain transactions in which the Company is involved.

**Control of the Company by the Shaw family**

As at October 31, 2016, JR Shaw and members of his family, and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Living Trust" or "SFLT") own approximately 84% of the outstanding Class A Voting Shares of the Company. The Class A Voting Shares are the only shares entitled to vote in all shareholder matters except in limited circumstances as described in the Company's Annual Information Form. All of the Class A Voting Shares held by SFLT are voted as determined by JR Shaw. Accordingly, SFLT is, and as long as it owns a majority of the Class A Voting Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders.

SFLT is also the controlling shareholder of Shaw Communications Inc., and as a result, both Shaw and Corus are subject to common voting control.

**Shaw Communications Inc. ("Shaw")**

The Company and Shaw are subject to common voting control. During the year, the Company entered into the following transactions with Shaw:

***Acquisition of Shaw Media***

On April 1, 2016, the Company acquired the shares of Shaw Media from 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 "Consideration Shares") at a value per share of $11.21 per share for an aggregate value of $800.0 million. These shares 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.

The Acquisition was a business combination between entities under common control and was accounted for by the Company using the acquisition method. As at August 31, 2016, the Company has not completed the valuation of assets acquired and liabilities to be assumed, therefore the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and resulting income tax effects (refer to note 27 of the Company's audited consolidated financial statements for the year ended August 31, 2016 for further discussion).

***Special transactions***

The acquisition of Shaw Media from Shaw constituted a related party transaction outside the normal course of operations. To ensure appropriate safeguards for the interest of the holders of the Class B Non-Voting Shares, Corus' Board of Directors (the "Board") established a Corus Special Committee (the "Special Committee") with the authority to, among other matters review, direct and supervise the process to be carried out by management and its professional advisors in assessing the potential acquisition (including the preparation of any formal valuation required), review and consider the proposed structure, terms and conditions of a possible acquisition and to make a recommendation to the Board with respect to any such transaction.

The Special Committee, throughout the process, consisted entirely of directors who were "independent", within the meaning of applicable securities laws. The Special Committee met a total of 28 times in exercising its mandate and supervision over the course of the transaction negotiation process that followed, prior to the announcement of the Acquisition on January 13, 2016. The Board established the Special Committee to, among other things, supervise the preparation of the formal valuation required under Multilateral Instrument ("MI") 61-101 and assess, review and to make recommendations to the Board regarding the Acquisition. The Special Committee engaged Barclays Capital Canada Inc. ("Barclays") as an independent valuator as required under MI 61-101 in connection with the purchase and sale of the issued and outstanding shares of Shaw Media and to provide the Barclays Valuation and Fairness Opinion. Additionally, the Company's financial advisors, RBC Dominion Securities Inc. ("RBC"), presented to the Board, including the members of the Special Committee, an opinion on the financial consideration which would be payable under the Acquisition (the “RBC Fairness Opinion”).

Having undertaken a review of, and carefully considering the Acquisition, the Barclays Valuation and Fairness Opinion, the RBC Fairness Opinion, information concerning Corus, Shaw Media, the proposed Acquisition and the alternatives available to the Company, including consultation with its financial and legal advisors and such other matters as it considered relevant, the Special Committee unanimously determined that the Acquisition was in the best interests of the Company and accordingly recommended that the Board approve the Acquisition and recommended that the Board recommend that the holders of each of the Class A Shares and Class B Shares vote in favour of the resolutions set out for the approval of the Acquisition.

***Governance and Investor Rights Agreement***

Concurrent with the closing of the Acquisition and following the issuance of the Consideration Shares to Shaw, Corus and Shaw entered into the Governance and Investor Rights Agreement (“GIRA”), pursuant to which Corus granted certain rights to Shaw.

The following is a summary of the principal terms of the GIRA. This summary does not purport to be complete and is qualified in its entirety by reference to the GIRA which has been filed on SEDAR at www.sedar.com.

***Corus Board Composition and Shaw Nominees***

Pursuant to the GIRA, Shaw has the right to nominate individuals to be elected or appointed to the Board (each, a “**Shaw Nominee**”). Corus and Shaw agreed that the Board would immediately appoint three Shaw Nominees to serve on the Board until the next annual general meeting of Corus shareholders following closing of the Acquisition. Shaw’s nominees consisted of Michael D’Avella, Trevor English and Peter Bissonnette.

Until such time that Shaw beneficially owns less than 10% of the outstanding Shares, Shaw will be entitled to appoint Shaw Nominees to the Board as follows: (a) for so long as Shaw beneficially owns at least 30% of the outstanding Shares, Shaw will have the right to appoint up to three Shaw Nominees; (b) for so long as Shaw beneficially owns at least 20% but less than 30% of the outstanding Shares, Shaw will have the right to appoint up to two Shaw Nominees; and (c) for so long as Shaw beneficially owns at least 10% but less than 20% of the outstanding Shares, Shaw will have the right to appoint one Shaw Nominee. If at any time Shaw beneficially owns less than 10% of the outstanding Shares, Shaw will not be entitled to any Shaw Nominees and Shaw will use its commercially reasonable efforts to, unless requested otherwise by Corus, cause any Shaw Nominees on the Board to resign forthwith.

Each Shaw Nominee must be “Canadian” as defined in the Direction to the CRTC (Ineligibility of Non-Canadians) and satisfy Corus’s general eligibility criteria for director candidates. In addition, Shaw agreed that no less than two (one, if Shaw is only entitled to two Shaw Nominees) of the three Shaw Nominees must meet the independence criterion set forth in Section 1.4 of National Instrument 52-110 – *Audit Committee*, provided that the independence criteria is not applicable in the event Shaw is only entitled to one Shaw Nominee. At least one of the three Shaw Nominees must meet the requirements of National Instrument 52-110 – *Audit Committee* to sit on the Corus audit committee. Shaw has nominated Mr. D’Avella who satisfies the independence criterion of applicable securities law and the requirements of National Instrument 52-110 - *Audit Committee*.

Corus has agreed that in respect of every meeting of Shareholders at which the election of Corus directors is to be considered, so long as such Shaw Nominees satisfy Corus’ applicable director eligibility criteria, management of Corus will recommend the Shaw Nominees identified in Corus’ proxy materials for election to the Board and vote their Class A Shares and any Class A Shares in respect of which management has been granted a discretionary proxy in favour of the election of such Shaw Nominees.

### *Committee Appointments*

Pursuant to the GIRA, Corus has agreed to provide Shaw the right to appoint one individual to the executive committee of Corus so long as Shaw beneficially owns Class B Shares representing at least 15% of the outstanding Shares.

For so long as Shaw beneficially owns Class B Shares representing at least 15% of the outstanding Shares it will also have the right to appoint one individual to any special committee or similarly constituted committee formed to evaluate regulatory issues, strategic initiatives or material transactions involving Corus or its subsidiaries. However, a Shaw Nominee may not serve on a special committee if Shaw or an affiliate of Shaw is (or is likely to become) an "interested party" (as such term is defined in MI 61-101) in respect of the applicable issue or transaction.

### *Restrictions on Transfer of the Consideration Shares*

As of August 31, 2016, Shaw held approximately 37% of the aggregate outstanding Class B Shares as a result of Consideration Shares issued pursuant to the Acquisition. Shaw has agreed to certain transfer restrictions during a specified hold period pursuant to which Shaw will not, without prior written consent of Corus, sell, offer to sell, grant any option, right or warrant for the sale of, or otherwise lend, transfer, assign or dispose of the Consideration Shares or any other securities issued by Shaw convertible, exchangeable or exercisable into Consideration Shares or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, subject to certain exceptions. Such transfer restrictions apply to all the Consideration Shares until the date that is: (a) 12 months following the Closing Date, at which time such restrictions will be lifted from one-third of the Consideration Shares; (b) 18 months following the Closing Date, at which time the restriction will be lifted from two-thirds of the Consideration Shares; and (c) 24 months following the Closing Date, at which all restrictions on transfer of the Consideration Shares will be lifted.

### *Dividend Reinvestment Plan Enrollment*

Shaw agreed that it would, upon the closing of the Acquisition, enroll all of the Consideration Shares in Corus' existing DRIP. Shaw will continue to participate in the Corus DRIP until the earlier of: (a) September 1, 2017; and (b) the date such Consideration Shares are no longer subject to hold restrictions under the Governance and Investor Rights Agreement. Subject to applicable laws, from the Closing Date until the date that is 24 months following the Closing Date, Corus has agreed that no amendments will be made to the share price discount under the DRIP (currently a 2% share price discount). Shares issued to Shaw pursuant to the DRIP will not be subject to restrictions on transfer.

### *Registration Rights*

The GIRA provides that, subject to certain exceptions, upon the written request of Shaw, Corus will use commercially reasonable efforts, subject to compliance with applicable securities laws and stock exchange requirements, to file such documents and take such steps as may be necessary under applicable securities laws to qualify for distribution to the public all or any whole number of Class B Shares held by Shaw which are not then subject to any restrictions on transfer pursuant to the Governance and Investor Rights Agreement (the "**Demand Registration Rights**").

If Corus proposes to make a distribution or sale of Shares to the public for cash by means of a prospectus, other than by way of a bought deal, Corus will promptly give written notice of the distribution to Shaw, including proposed pricing. Upon written request of Shaw, Corus will use its commercially reasonable efforts to cause to be qualified in such distribution the applicable number of Class B Shares of Shaw requested by Shaw to be included (the "**Piggy-Back Registration Rights**"). In addition, subject to certain customary exceptions, Corus will use commercially reasonable efforts to include a proportional number of Class B Shares held by Shaw in any bought deal offering.

The Demand Registration Rights and the Piggy-Back Registration Rights granted to Shaw will terminate at such time that Shaw no longer beneficially owns Class B Shares representing at least 5% of the outstanding Shares.

### *Pre-Emptive Rights*

Subject to certain exceptions, provided that Shaw beneficially owns Class B Shares representing at least 10% of the outstanding Shares, if Corus proposes to offer to issue any equity or participating securities or securities convertible or exchangeable into equity or participating securities, Shaw will be entitled to participate in such issuance on a *pro rata* basis, but only to the extent necessary to maintain its then proportional fully-diluted equity interest in Corus. In the event that such proposed issuance consists of the issuance of Class A Shares, then Shaw will be entitled to acquire that number of Class B Shares that allow it to maintain its then proportional fully-diluted equity interest in Corus. At least five Business Days prior to the closing of any such proposed offering, Corus will deliver to Shaw a notice in writing offering Shaw the opportunity to subscribe for a *pro rata* number of such securities and Shaw will be entitled, upon written notice to Corus, to participate in the issuance by way of private placement at the same price and on the same terms offered by Corus to any party.

### *Termination*

The GIRA will terminate upon Shaw beneficially owning less than 5% of the outstanding Shares.

### *Normal course transactions*

The Company has transacted business in the normal course with Shaw. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable subscriber, programming and advertising fees of $112.6 million (2015 - $111.4 million), and production and distribution revenues of $4.8 million (2015 – $0.3 million) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of $8.7 million (2015 - $5.7 million) and administrative and other fees of $4.7 million (2015 - $2.7 million) to Shaw. During the year, the Company issued dividends of $34.4 million to Shaw, which were reinvested in additional Corus Class B shares under Corus' dividend reinvestment plan. As at August 31, 2016, the Company had $26.7 million (2015 - $21.4 million) receivable from Shaw.

The Company provided Shaw with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

### *Non-wholly owned specialty networks*

The Company has transacted business in the normal course with entities over which the Company exercises significant influence and joint control. During the year, the Company received administrative and other fees of $8.7 million (2015 - $5.0 million) from its non-wholly owned specialty networks including CMT (Canada), Cosmopolitan TV, Food Network Canada, HGTV Canada, National Geographic, Nat Geo Wild, and TLN. At August 31, 2016, the Company had $1.3 million (2015 - $0.1 million) receivable from these entities.

## OUTSTANDING SHARE DATA

As at October 31, 2016, 3,425,792 Class A Voting Shares and 194,776,895 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances as described in the Company's most recent Annual Information Form.

## IMPACT OF NEW ACCOUNTING POLICIES

**Changes in accounting policies**

There were no accounting standards issued by the IASB that took effect in fiscal 2016.

## RECENT ACCOUNTING PRONOUNCEMENTS

**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 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 onto 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.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2016 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2016 consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, amortization of film investments, useful lives of capital assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and impairment of goodwill and intangible assets. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results could differ from those estimates. Critical accounting estimates and significant judgments are generally discussed with the Audit Committee each quarter.

The most significant estimates and judgments made by management are described below.

**Film investments**

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' share of production costs for an individual film or television program, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenues bear to management's estimates of the total future revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. Future revenues are based on historical sales performance for the genre of series or program, the number of episodes produced and the availability of rights in each territory. Estimates of future revenues can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted prospectively. In addition, if revenue estimates change significantly with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses and profitability.

**Impairment of long-lived assets**

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program and film rights, film investments, goodwill and intangible assets, for potential indicators of impairment, such as an adverse change in business climate that may indicate that these assets may be impaired. If any impairment indicator exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, in which case the asset is assessed as part of the cash generating unit ("CGU") to which it belongs. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

Goodwill is allocated to a CGU or group of CGUs for the purposes of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. The Company records an impairment loss if the recoverable amount of the CGU or the group of CGUs is less than the carrying amount. Goodwill and indefinite-life assets, such as broadcast licenses, are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that an impairment may have occurred.

The Company completes its annual impairment testing process for broadcast licenses and goodwill during the fourth quarter each year.

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

In calculating the recoverable amount, management is required to make several assumptions including, but not limited to, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount rates. The Company's assumptions are influenced by current market conditions and general outlook for the industry, both of which may affect expected segment profit growth rates and expected cash flows. The Company has made certain assumptions for the discount and terminal growth rates to reflect possible variations in the cash flows; however, the risk premiums expected by market participants related to uncertainties about the industry, specific CGU or groups of CGUs may differ or change quickly depending on economic conditions and other events. Changes in any of these assumptions could have a significant impact on the recoverable amount of the CGU or groups of CGUs and the results of the related impairment testing.

The Company has completed its annual impairment testing of goodwill and indefinite lived intangible assets in the fourth quarter of fiscal 2016 and concluded that there were no additional impairment charges required. The Company also assessed for indicators that previous impairment losses had decreased. There were no previously recorded impairment charges reversed.

**Income taxes**

The Company is subject to income taxes in Canada and foreign jurisdictions. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. The Company's tax filings are subject to audits which could materially change the amount of current and deferred income tax assets and liabilities and could, in certain circumstances, result in the assessment of interest and penalties.

Additionally, estimation of the income tax provision includes evaluating the recoverability of deferred tax assets based on the assessment of the Company's ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws, estimates of future profitability and tax planning strategies. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact on the Company's Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are recognized to the extent that it is more likely than not that taxable profit will be available against which deferred tax assets can be utilized.

**Post-employment benefit plans**

The Company has various registered defined benefit plans for certain unionized and non-unionized employees and supplementary executive non-registered retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate, rate of compensation increase, trend in healthcare costs, and expected average remaining years of service of employees. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

| (thousands of Canadian dollars) | **Accrued benefit obligation at end of fiscal 2016** | **Pension expense fiscal 2016** |
|---|---|---|
| Weighted average discount rate – registered plans | 3.50% | 3.90% |
| Weighted average discount rate – non-registered plans | 3.55% | 3.90% |
| Impact of: 1% decrease – registered plans | $233,288 | $1,236 |
| Impact of: 1% decrease – non-registered plans | $6,347 | $ 306 |

The significant assumptions used on the benefit obligation are disclosed in note 28 of the audited consolidated financial statements.

**Share-based compensation**

In the evaluation of the fair value of stock options, Deferred Share Units ("DSUs"), Performance Share Units ("PSUs"), and Restricted Share Units ("RSUs") granted to eligible officers, directors and employees, the Company makes estimates and assumptions. Critical estimates and assumptions related to stock options include their expected life, the risk-free interest rate and the expected volatility of the market price of the shares. Critical estimates and assumptions related to DSUs, PSUs and RSUs include number of units expected to vest, the estimated dividend equivalents, and the achievement of specific vesting conditions. The Company believes that the assumptions used are reasonable based on information currently available, but changes to these assumptions could impact the fair value of stock options, DSUs, PSUs and RSUs and therefore, the share-based compensation costs recorded in direct cost of sales, general and administrative expenses.

## CONTROLS AND PROCEDURES

**Evaluation of disclosure controls and procedures**

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such disclosure controls and procedures (or have caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits under the provincial securities legislation is recorded, processed, summarized and reported within the time periods required. Corus has adopted or formalized such disclosure controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

Management evaluated, under the supervision of and with the participation of the CEO and CFO, the effectiveness of the Company's disclosure controls and procedures. The CEO and CFO have limited the scope of their design and evaluation of the Company's disclosure controls and procedures to exclude the disclosure controls 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 will be completed for the third quarter of fiscal 2017.

Based on that evaluation, which excluded Shaw Media's disclosure controls and procedures, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as at August 31, 2106.

**Management's annual report on internal control over financial reporting**

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such internal control over financial reporting (or caused it to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management evaluated, under the supervision of and with the participation of the CEO and CFO, the effectiveness of the Company's internal control over financial reporting, as of August 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The CEO and CFO have limited the scope of their design and evaluation of the Company's internal control over financial reporting to exclude the internal control over financial reporting of Shaw Media, which was acquired on April 1, 2016.

Based on that evaluation, which excluded Shaw Media's internal control over financial reporting, the CEO and CFO concluded that the Company's internal control over financial reporting was effective as at 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 during fiscal 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

## ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.