

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the year ended August 31, 2019 is prepared at October 17, 2019. The following should be read in conjunction with the Company's August 31, 2019 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 attributable to shareholders, 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 which is available on Corus' website at www.corusent.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

To the extent any statements made in this document contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). Forward-looking information relates 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. Forward-looking information is predictive in nature and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. The forward looking information contained in this document includes, but is not limited to: expected timing for certain legislative changes; Corus' anticipated indebtedness and pro forma leverage and dividend yield targets. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information.

Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such statements involve assumptions and risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information above, including without limitation: the estimates and judgments set out under the heading "*Use of Estimates and Judgments*", in this document; factors and assumptions regarding general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating costs and tariffs, taxes and fees, currency value fluctuations, interest rates, technology developments and assumptions regarding the stability of laws and governmental regulation and policies and the interpretation or application of those laws and regulations, consistent application of accounting policies, segment profit growth rates, future levels of capital expenditures, expected future cash flows and discount 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 and subscriber 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 information are set out under the heading "Risks and Uncertainties" in this document and under the heading "Risk Factors" 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 information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

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

OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified 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 35 specialty television networks, 15 conventional television stations, 39 radio stations and a global content business, digital assets, book publishing, animation software, a social digital agency, a social influencer network, and media and technology services.

Corus operates through two reporting 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 unscripted lifestyle programming and Corus' ability to continue to provide popular programming.

TELEVISION

The Television segment is comprised of 35 specialty television networks, 15 conventional television stations and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and media and technology services. On September 30, 2019, Corus ceased operation of the Cosmo TV and IFC channels. On March 22, 2019, Corus sold its interest in the Telcelino ("TLN") group of 7 networks. On February 28, 2018, Corus ceased operation of the Sundance Channel.

Revenues for the specialty television networks are generated from both advertising and subscribers, while revenues from the conventional television stations are derived primarily from advertising. Revenues for the content business are generated from the licensing of proprietary films and television programs, merchandise licensing, book publishing, 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, mobile apps and connected TVs. 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.

KEY FINANCIAL INFORMATION

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

(in millions of Canadian dollars, except per share amounts)

	2019	2018
Revenues		
Television	1,544.9	1,499.3
Radio	142.6	148.0
Consolidated revenues	1,687.5	1,647.3
Segment profit ⁽¹⁾		
Television	573.5	541.8
Radio	34.6	40.3
Corporate	(23.1)	(6.5)
Consolidated segment profit ⁽¹⁾	585.1	575.6
Depreciation and amortization	182.4	81.9
Interest expense	117.7	127.3
Broadcast license and goodwill impairment	—	1,013.7
Gain on debt modification	(3.9)	—
Business acquisition, integration and restructuring costs	26.3	17.1
Other expense, net	10.5	5.7
Income (loss) before income taxes	252.1	(670.0)
Income tax expense	71.4	88.1
Net income (loss) for the year	180.7	(758.2)
Net income (loss) attributable to:		
Shareholders	156.1	(784.5)
Non-controlling interest	24.6	26.3
Net income (loss) for the year	180.7	(758.2)
Adjusted net income attributable to shareholders ⁽¹⁾	181.0	238.4
Basic earnings (loss) per share	\$0.74	\$(3.77)
Adjusted basic earnings per share ⁽¹⁾	\$0.85	\$1.14
Diluted earnings (loss) per share	\$0.74	\$(3.77)
Free cash flow ⁽¹⁾	310.0	349.0
Total assets	4,672.3	4,883.0
Long-term debt (inclusive of current portion)	1,731.7	1,983.9
Cash dividends declared per share		
Class A Voting	\$0.1763	\$1.1350
Class B Non-Voting	\$0.1800	\$1.1400

Notes:

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

FISCAL 2019 COMPARED TO FISCAL 2018

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2019, we refer you to Corus' Fourth Quarter 2019 Report to Shareholders filed on SEDAR on October 18, 2019.

The following discussion describes the significant changes in the consolidated results from operations for the year ended August 31, 2019 compared to the prior year.

REVENUES

For the year ended August 31, 2019, consolidated revenues of \$1,687.5 million increased 2% from \$1,647.3 million in the prior year. On a consolidated basis, advertising revenues increased 6%, while subscriber revenues decreased 2% and merchandising, distribution and other revenues decreased by 7%, from the prior year. For the year, revenues increased by 3% in Television and decreased by 4% in Radio compared to the prior year. Further analysis of revenue is provided in the discussions of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

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

SEGMENT PROFIT

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

DEPRECIATION AND AMORTIZATION

For the year ended August 31, 2019, depreciation and amortization expense was \$182.4 million, an increase from \$81.9 million in the prior year. The increase from the prior year principally arises from the change in estimated useful lives of certain television brand assets from indefinite life intangible assets to finite life intangible assets, effective September 1, 2018. As a result, amortization increased for the year by \$103.2 million compared to the prior year, partially offset by decreases in depreciation on property, plant and equipment which reflects the reduced capital spending in fiscal 2018. Further discussion of the change in estimates of certain television brand assets can be found in the *Impact of New Accounting Policies and Changes in Estimates* section of this report.

INTEREST EXPENSE

Interest expense for the year ended August 31, 2019, was \$117.7 million, down from \$127.3 million in the prior year. The decrease reflects lower interest on bank debt of \$6.7 million, \$0.8 million of amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017, and lower imputed interest of \$2.0 million on long-term liabilities associated with program rights. Interest on bank debt is lower due to lower debt levels.

The effective interest rate on bank loans for both the year ended August 31, 2019 and the prior year was 4.3%. The effective interest rate was consistent as higher fixed interest rates on interest rate swaps were offset by a lower interest margin resulting from reduced leverage.

BROADCAST LICENCE AND GOODWILL IMPAIRMENT

Broadcast licences and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. In the third quarter of fiscal 2018, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2017, which resulted in the Company's carrying value being significantly greater than its current market enterprise value. Accordingly, interim goodwill impairment testing was required for both the Television and Radio cash generating units ("CGUs"). As a result of these tests, the Company recorded a non-cash goodwill impairment charge of \$1.0 billion in the Television operating segment in the third quarter of fiscal 2018. No goodwill impairment was identified in the Radio operating segment CGU (refer to note 11 of the audited consolidated financial statements for further details).

In addition, certain Radio markets had actual results and revised financial projections that fell short of previous estimates, indicating that interim broadcast licence impairment testing was required. As a result of these tests, the Company recorded non-cash broadcast licence impairment charges of \$13.7 million in the Radio segment in the third quarter of fiscal 2018 (refer to note 11 of the audited consolidated financial statements for further details).

The Company has completed its annual impairment testing of broadcast licences and goodwill and determined that there were no impairment charges required or recoveries as at August 31, 2019.

GAIN ON DEBT MODIFICATION

The gain on debt refinancing of \$3.9 million in fiscal 2019 relates to the amendment of the Company's long-term credit facility agreement on May 31, 2019 (refer to note 14 of the audited consolidated financial statements for further details).

BUSINESS ACQUISITION, INTEGRATION AND RESTRUCTURING COSTS

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

OTHER EXPENSE, NET

Other expense for the year ended August 31, 2019 was \$10.5 million compared to \$5.7 million in the prior year. In the current year, other expense includes an impairment charge related to an investment in an associate of \$8.7 million, equity losses from associates of \$0.9 million, net foreign exchange loss of \$0.9 million, a \$0.3 million loss on the disposition of TLN, offset by income of \$1.2 million from insurance proceeds and miscellaneous interest income. The prior year includes a foreign exchange loss of \$5.4 million, and equity losses from associates of \$1.6 million, offset by income of \$1.2 million from the settlement of certain regulatory fees and the benefit of miscellaneous interest and other income. For the year ended August 31, 2019, forward foreign exchange contracts resulted in unrealized foreign exchange gains of \$2.2 million, which offset foreign exchange losses recorded related to the period end revaluation of USD denominated long-term liabilities. Further discussion of this can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

INCOME TAX EXPENSE

The effective tax rate for the year ended August 31, 2019 was 28.3% as compared with the Company's 26.5% statutory tax rate. The higher effective tax rate in the current year is primarily a result of the Company's disposition of its interest in TLN. The effective tax rate for the year ended August 31, 2018 was (13.2%) compared to the Company's 26.5% statutory rate. The significant difference in the statutory rates and effective tax rate resulted from the impairment charge recorded on goodwill in the television segment in the third quarter of the prior year.

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

Net income attributable to shareholders for the year ended August 31, 2019 was \$156.1 million (\$0.74 per share basic), as compared to a net loss attributable to shareholders of \$784.5 million (\$3.77 loss per share basic) in the prior year. Net income attributable to shareholders for fiscal 2019 includes business acquisition, integration and restructuring costs of \$26.3 million (\$0.09 per share) and an impairment of investment in associates of \$8.7 million (\$0.03 per share basic), a gain on debt modification of \$3.9 million (\$0.01 per share basic), and a loss on the disposition of TLN of \$0.3 million (\$nil per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$181.0 million (\$0.85 per share basic) for the current fiscal year. Net loss attributable to shareholders for the year ended August 31, 2018 includes broadcast licence and goodwill impairment charges of \$1.0 billion (\$4.85 per share), and business acquisition, integration and restructuring costs of \$17.1 million (\$0.06 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$238.4 million (\$1.14 per share basic) for the prior year.

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

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX

Other comprehensive loss for the year ended August 31, 2019 was \$43.0 million, compared to income of \$25.1 million in the prior year. For the year ended August 31, 2019, other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of \$31.5 million, an actuarial loss on the remeasurement of post-employment benefit plans of \$9.3 million, and an unrealized loss on the fair value of financial assets of \$2.4 million, offset by an unrealized gain from foreign currency translation adjustments of \$0.3 million. The prior year other comprehensive income includes an unrealized gain on the fair value of cash flow hedges of \$12.9 million, an actuarial gain on post-employment benefit plans of \$11.6 million and an unrealized gain from foreign currency translation adjustments of \$0.7 million, offset by an unrealized loss on the fair value of available-for-sale investments of \$0.1 million.

TELEVISION

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

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31,	
	2019	2018
Revenues		
Advertising	966,983	903,420
Subscriber	496,447	507,756
Merchandising, distribution and other	81,462	88,146
Total revenues	1,544,892	1,499,322
Expenses	971,368	957,533
Segment profit ⁽¹⁾	573,524	541,789
Segment profit margin ⁽¹⁾	37%	36%

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

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

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

Segment profit⁽¹⁾ increased 6% in fiscal 2019, principally as a result of increases in advertising revenues exceeding increases in expenses. Segment profit margin⁽¹⁾ was 37% for the year compared to 36% in the prior year.

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

RADIO

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

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31,	
	2019	2018
Revenues	142,590	148,025
Expenses	107,944	107,717
Segment profit ⁽¹⁾	34,646	40,308
Segment profit margin ⁽¹⁾	24%	27%

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

For the year ended August 31, 2019, revenues decreased 4% compared to the prior year. The decline in advertising revenues in the year was driven primarily by continued lower demand from the automotive category and ongoing economic pressures and ratings challenges in Alberta.

Direct cost of sales, general and administrative expenses were flat for fiscal 2019. This reflects a continued focus on cost containment and synergies with Global News.

For the year ended August 31, 2019, segment profit⁽¹⁾ decreased \$5.7 million and segment profit margin⁽¹⁾ of 24% was a decrease from 27% in the prior year.

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

CORPORATE

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

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Year ended August 31,	
	2019	2018
Share-based compensation	5,347	(7,818)
Other general and administrative costs	17,738	14,287
	23,085	6,469

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

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

Other general and administrative costs for fiscal 2019 were higher compared to the prior year, principally related to Directors fees for those Directors that have elected to receive their remuneration in DSUs, which are revalued at the Company's closing share price at the end of each period, as well as short-term variable compensation accruals due to higher achievement against performance targets in the current 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 highest and second and fourth quarter results tend to be the lowest in a fiscal year. The Company's merchandising and distribution revenues are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

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

(thousands of Canadian dollars, except per share amounts)

			Net income (loss)	Adjusted net income	Earnings per share			Free cash flow ⁽¹⁾
	Revenues	Segment profit ⁽¹⁾	attributable to shareholders	attributable to shareholders ⁽¹⁾	Basic	Diluted	Adjusted ⁽¹⁾	
2019								
4th quarter	377,479	109,776	22,947	27,930	\$ 0.11	\$ 0.11	\$ 0.13	93,554
3rd quarter	458,417	170,523	66,378	66,077	\$ 0.31	\$ 0.31	\$ 0.31	90,101
2nd quarter	384,115	113,148	6,344	15,733	\$ 0.03	\$ 0.03	\$ 0.07	83,909
1st quarter	467,471	191,638	60,415	70,111	\$ 0.28	\$ 0.28	\$ 0.33	42,406
2018								
4th quarter	379,084	114,561	33,675	39,534	\$ 0.16	\$ 0.16	\$ 0.19	95,966
3rd quarter	441,410	170,421	(935,899)	78,112	\$ (4.49)	\$ (4.49)	\$ 0.37	87,753
2nd quarter	369,465	112,759	40,042	41,880	\$ 0.19	\$ 0.19	\$ 0.20	82,073
1st quarter	457,388	177,887	77,673	78,885	\$ 0.38	\$ 0.38	\$ 0.38	83,215

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

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of \$16.7 million (\$0.06 per share) and business acquisition, integration and restructuring costs of \$6.8 million (\$0.02 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of \$16.7 million (\$0.06 per share), business acquisition, integration and restructuring costs of \$2.3 million (\$0.01 per share) and a \$0.3 million (\$nil per share) loss on disposal of the Company's 50.5% interest in TLN, offset by a gain on debt modification of \$3.9 million (\$0.01 per share).
- Net income attributable to shareholders for the second quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of \$34.9 million (\$0.12 per share), business acquisition, integration and restructuring costs of \$4.0 million (\$0.01 per share) and an impairment on an investment in an associate of \$8.7 million (\$0.03 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2019 was negatively impacted by additional amortization from a change in estimate for the useful lives of television brand assets of \$34.9 million (\$0.12 per share) and business acquisition, integration and restructuring costs of \$13.2 million (\$0.05 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of \$7.7 million (\$0.03 per share).
- Net loss attributable to shareholders for the third quarter of fiscal 2018 was negatively impacted by non-cash

radio broadcast licence and television goodwill impairment charges of \$1,013.7 million (\$4.84 per share) and business acquisition, integration and restructuring costs of \$5.3 million (\$0.02 per share).

- Net income attributable to shareholders for the second quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of \$2.5 million (\$0.01 per share).
- Net income attributable to shareholders for the first quarter of fiscal 2018 was negatively impacted by business acquisition, integration and restructuring costs of \$1.6 million (\$nil per share).

FINANCIAL POSITION

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

On March 22, 2019, the Company sold its 50.5% interest in TLN. In accordance with IFRS 10 - *Consolidated Financial Statements*, as of the disposition date, the carrying amounts associated with TLN have been removed from the statement of financial position and have been factored into the loss on disposal in the audited consolidated financial statements. In addition, an adjustment has been made to remove the carrying amount of the non-controlling interest related to TLN in the audited consolidated financial statements (refer to note 27 of the Company's audited consolidated financial statements for the period ended August 31, 2019 for further discussion).

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

Cash and cash equivalents decreased by \$12.2 million from August 31, 2018. Refer to the discussion of cash flows in the next section. Accounts receivable decreased \$15.9 million from August 31, 2018. The accounts receivable balance is subject to seasonal trends. Typically, the balance is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality. The Company carefully monitors the aging and collection performance of its accounts receivable.

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by \$12.2 million from the prior year end. Free cash flow for the year ended August 31, 2019 decreased to \$310.0 million, from \$349.0 million in the prior year. A reconciliation of free cash flow to the consolidated statements of cash flows is provided in the *Key Performance Indicators* section.

Cash provided by operating activities for the year ended August 31, 2019 was \$343.6 million, compared to \$370.9 million in the prior year. The decrease of \$27.3 million from the prior year arises from lower cash flow from operations as the prior year included proceeds of \$24.6 million from the termination of interest rate swap agreements, higher spend on program rights of \$24.8 million and film investment of \$11.8 million, offset by lower cash used in working capital of \$31.5 million.

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

Cash used in financing activities for the year ended August 31, 2019 was \$325.6 million, compared to \$344.2 million in the prior year. The decrease in the current year of \$18.6 million is primarily due to the reduction in dividends paid during the fiscal 2019 year, offset by increased repayments of bank debt.

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 long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours

to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings. As at August 31, 2019, the Company's leverage ratio was 2.82 times net debt to segment profit, down from 3.28 times at August 31, 2018. The Company met its target of deleveraging below 3.0 times net debt to segment profit as at May 31, 2019, which has improved the Company's financial flexibility.

As at August 31, 2019, the Company had available approximately \$300.0 million under the Revolving Facility, all of which could be drawn, and was in compliance with all loan covenants. As at August 31, 2019, the Company had a net cash balance of \$82.6 million.

For further details on the credit facilities amended on May 31, 2019, and November 30, 2017, refer to note 14 of the Company's audited consolidated financial statements for the year ended August 31, 2019.

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.

TOTAL CAPITALIZATION

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

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

On November 28, 2017, the Company terminated the swap agreements that fixed the interest rate on \$1,871.0 million of its outstanding term loan facilities. As a result, the Company received \$24.6 million, net of interest, in cash upon settlement of these swaps, which was the fair value upon termination. The \$24.6 million was recorded in other comprehensive income and is being amortized as non-cash interest income in the consolidated statements of income (note 19).

On November 28, 2017, the Company entered into new interest 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 as at August 31, 2019 was \$11.6 million, which has been recorded in the consolidated statements of financial position as a long-term liability (note 15).

On January 5, 2018, the Company entered into a series of forward foreign exchange contracts totalling \$98.0 million USD, to fix the foreign exchange rate and therefore cash flows related to a portion of the Company's USD denominated liabilities. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date by reference to prices provided by the counterparty. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair value of future cash flows of the USD forward contract derivatives change with fluctuations in the foreign exchange rate of USD to Canadian dollars. The estimated fair value of these agreements as at August 31, 2019 was \$6.0 million, which has been recorded in the consolidated statements of financial position as a long-term asset (note 5), and within other expense (income), net in the consolidated statements of income (note 20).

On November 28, 2018, the Company initiated total return swap agreements on 1,868,500 share units with a notional value of \$9.2 million to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2019 was an asset of \$0.3 million, which has been recorded in the consolidated statement of financial position as an asset in prepaid expenses and other assets and within employee expenses in the consolidated statement of income (loss) (note 18).

CONTRACTUAL COMMITMENTS

The Company has the following undiscounted contractual obligations at August 31, 2019:

(thousands of Canadian dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Total debt ⁽¹⁾	1,765,953	76,339	410,929	1,278,685	—
Purchase obligations ⁽²⁾	899,898	561,764	270,049	68,085	—
Operating leases ⁽³⁾	364,855	30,344	57,154	54,034	223,323
Other obligations ⁽⁴⁾	222,279	77,642	134,214	10,423	—
Financing leases	1,431	1,431	—	—	—
Total contractual obligations	3,254,416	747,520	872,346	1,411,227	223,323

⁽¹⁾ Principal repayments

⁽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, CRTC commitments and forward foreign exchange contracts.

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 2019, the Company incurred interest on bank debt of \$82.3 million (2018 – \$89.0 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, 2019 derived primarily from three areas: advertising 65%, subscriber fees 30% and merchandising, distribution and other 5% (2018 – 63%, 31%, and 6%, respectively).

DIRECT COST OF SALES, AND GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, and general and administrative expenses include amortization of program 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, book publishing, marketing (research and advertising costs); employee remuneration; regulatory licence fees; and, selling, general administration which includes overhead costs. For the year ended August 31, 2019, consolidated direct cost of sales, and general and administrative expenses were comprised of direct cost of sales 51%, employee remuneration 30%, and general and administrative expenses 19% (2018 – 52%, 29%, and 19%, 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 and segment profit margin may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes these are important measures as they allow the Company to evaluate the operating performance of its business segments or lines of business and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast licence impairment; significant intangible and other asset impairment; debt refinancing; non-cash gains or losses; business acquisition, integration and restructuring costs; gain (loss) on disposition; 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.

(thousands of Canadian dollars, except percentages)	2019	2018
Revenues	1,687,482	1,647,347
Direct cost of sales, general and administrative expenses	1,102,397	1,071,719
Segment profit	585,085	575,628
Segment profit margin	35.0%	35.0%

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 investment 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 IASB.

(thousands of Canadian dollars)	2019	2018
Cash provided by (used in):		
Operating activities	343,553	370,907
Investing activities	(30,215)	(25,580)
	313,338	345,327
Add back: cash used for business combinations and strategic investments ⁽¹⁾	9,161	3,680
Deduct: net proceeds from disposition	(12,529)	—
Free cash flow	309,970	349,007

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE

Management uses adjusted net income attributable to shareholders and adjusted basic earnings per share as a measure of enterprise-wide performance. Adjusted net income attributable to shareholders 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 and basic earnings per share prepared in accordance with IFRS as issued by the IASB.

(thousands of Canadian dollars, except per share amounts)	2019	2018
Net income (loss) attributable to shareholders	156,084	(784,509)
Adjustments, net of income tax:		
Impairment of investment in associates	7,565	—
Broadcast licence and goodwill impairment charges	—	1,010,061
Gain on debt modification	(2,856)	—
Loss from disposition of TLN	814	—
Business acquisition, integration and restructuring costs	19,399	12,859
Adjusted net income attributable to shareholders	181,006	238,411
Basic earnings (loss) per share	\$0.74	\$(3.77)
Adjustments, net of income tax:		
Impairment of investment in associates	\$0.03	—
Broadcast licence and goodwill impairment charges	—	\$4.85
Gain on debt modification	(\$0.01)	—
Loss from disposition of TLN	—	—
Business acquisition, integration and restructuring costs	\$0.09	\$0.06
Adjusted basic earnings per share	\$0.85	\$1.14

NET DEBT

Net debt is calculated as total bank 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.

(thousands of Canadian dollars)	2019	2018
Total bank debt	1,731,745	1,983,933
Cash and cash equivalents	(82,568)	(94,801)
Net debt	1,649,177	1,889,132

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.

(thousands of Canadian dollars)	2019	2018
Net debt (numerator)	1,649,177	1,889,132
Segment profit (denominator) ⁽¹⁾	585,085	575,628
Net debt to segment profit	2.82	3.28

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

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; in turn, Corus also aims to take advantage of opportunities that may emerge.

RISK GOVERNANCE

The Company's Board of Directors has overall responsibility for risk governance and ensures that there are processes in place to effectively identify, assess, monitor, and manage principal business risks to which the Company is exposed. 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, officers and certain other employees 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 and provides the Audit Committee and management with objective evaluations of the Company's risk and control environment.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Company has established an Enterprise Risk Management Framework ("ERM") which includes identifying, assessing, managing, monitoring and communicating the principal business 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 principal business risks facing the Company and their potential impact on the achievement of the Company's strategic objectives. 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 principal business 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 Executive Leadership Team, and finally, with the Board as part of the quarterly risk review process.

RISKS AND UNCERTAINTIES

This section provides a summary description of the principal risks and uncertainties that could have a material adverse effect on the business and financial results of the Company. This discussion is not exhaustive and any discussion about risks should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Information".

A. GENERAL RISKS

ECONOMIC CONDITIONS

The Company's operating performance is affected by general Canadian and worldwide economic conditions. Changes in economic conditions or economic uncertainty may affect discretionary consumer and business spending, resulting in increased or decreased demand for Corus' product offerings. These factors may negatively affect the Company through reduced advertising, lower demand for the Company's products and services or decreased profitability. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Corus, its operations and/or its financial results.

COMPETITION AND TECHNOLOGICAL DEVELOPMENTS

Corus operates in an open and highly competitive marketplace. The television production industry and television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of the Company's radio stations, music formats, talent, television programs or networks because the revenues derived from such services and products 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. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

Corus also faces competition from both regulated and unregulated players using existing or new technologies and from illegal services. The rapid deployment of new technologies, services and products have reduced the traditional lines between internet and broadcast services and further expanded the competitive landscape. The Company may also be affected by changes in customer discretionary spending patterns, which in turn are dependent on consumer confidence, disposable consumer income and general economic conditions. 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, connected TVs, virtual multichannel programming distributors, audio streaming platforms, digital radio services, satellite radio, podcasting and direct-to-home satellite compete with, or may in the future compete with, Corus' services for programming and audiences. As well, mobile devices like smartphones and tablets allow consumers to access content anywhere, anytime and are creating consumer demand for mobile, portable or free content. These technologies and business models may increase audience fragmentation, reduce subscribers to Corus' services, reduce Corus' linear television and radio ratings or have an adverse effect on advertising revenues from local and national audiences. Technological developments may also disrupt traditional distribution platforms by enabling content owners to provide content directly to consumers, thus bypassing traditional content aggregators. While Corus invests in infrastructure, technology and programming to maintain its competitive position, there can be no assurance that these investments will be sufficient to maintain Corus' market share or performance in the future.

Television – Broadcast Business

The financial success of Corus' specialty television services depend on obtaining revenues from advertising and subscribers, while Corus' conventional television services depend on obtaining revenues from advertising. These services are also dependent on the effective management of programming costs. Any failure by Corus' discretionary and basic television services to compete effectively could materially adversely affect Corus' results of operations.

i) Advertising and Subscriber Revenues

The conventional and specialty television business and the advertising markets the Company operates in is highly competitive. Numerous broadcast and specialty television networks, alternative forms of entertainment,

as well as online advertising platforms and websites, and “over-the-top” digital distribution services that are not regulated by the CRTC compete with Corus for advertising and subscriber revenues. The CRTC also no longer requires the licensing of new discretionary services. These services can be launched at any time using the CRTC’s exemption order 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. This competition is for both supply of programming and also for audiences and 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.

Corus’ ability to compete successfully depends on a number of factors, including its ability to secure popular television and other programming rights for all platforms, including traditional linear broadcast rights and non-linear rights, in order to achieve audience acceptance, high distribution levels and attract advertising. Corus’ ability to continue to attract advertising customers also depends on its ability to meet the evolving expectations of its advertising customers. Accordingly, there can be no assurance that Corus’ television services will be able to maintain or increase their current share of audience and advertising revenues as well as maintain or increase current levels of subscriber distribution and penetration.

ii) Programming Expenditures / Audience Acceptance

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 premium content and/or increase the cost of programming content which could have a material adverse effect on Corus’ operations and/or financial results.

In addition, programming content may be purchased or commissioned for broadcast one or two years in advance, making it more difficult to predict how such content will perform in terms of audience acceptance. Audience acceptance cannot be accurately predicted. The success of a program also depends on the type and extent of promotional and marketing activities, the quality and acceptance of competing programs, general economic conditions and other intangible factors, all of which can rapidly change and many of which are beyond Corus’ control. A failure to select and obtain content demanded by viewers or otherwise a lack of audience acceptance of Corus’ television programming could have a material adverse effect on Corus’ operations and/or financial results.

Commission of original 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 independent production partners and cause cost overruns and delay or hamper completion of a production (see *RELIANCE ON KEY SUPPLIERS AND CUSTOMERS*).

Television – Content Business

The production and distribution of 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 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 also 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 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 or that Corus will be able to increase or maintain penetration of broadcast schedules.

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 (derived from interest in on-air talent, music formats, and other intangible factors). Other

stations may change programming formats at any time 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' stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other media, such as television, outdoor advertising, print and internet as well as alternative media technologies, such as satellite, music streaming, podcasting and music downloading services. 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) or through daily, weekly and free-distribution newspapers, outdoor billboard advertising, magazines, other print media, direct mail marketing, 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, Ontario, Corus also competes with U.S. radio stations. Accordingly, there can be no assurance that Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

B. BUSINESS RISKS

RELIANCE ON KEY SUPPLIERS AND CUSTOMERS

Corus procures its content from a limited number of key third party suppliers, some of whom are global in scale, have significant negotiating leverage and are launching their own direct-to-consumer business in Canada. While Corus may have alternate sources of content, there can be no assurance that Corus would be able to source alternate content desirable to the Company's viewers. The loss of a key supplier may adversely affect Corus' operations and/or its financial results. Suppliers may also experience business difficulties, privacy and/or security incidents, restructure their operations, be consolidated with other suppliers, discontinue products or sell their operations or products to other vendors, which could affect the future development and support of the Company's services.

Corus enters into long-term agreements with various Broadcasting Distribution Undertakings ("BDUs") for the distribution of its television services. Corus derives most of its subscriber revenue from its relationships with a small number of the largest BDUs. As these contracts expire, there could be a negative effect on Corus' operations and/or its financial results if Corus is unable to renew them on acceptable terms or at all, including revenues per subscriber and packaging that affects the networks' subscriber reach. Similarly, the majority of Corus' advertising revenues are derived from a small number of large advertising agency "upfront commitments". Any significant change in volume, rates and/or other terms associated with these sales commitments may have a positive or negative effect on Corus' operations and/or financial results.

Corus relies on certain information technology providers, telecommunications carriers and certain utilities to conduct Corus' business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these information technology providers, telecommunications carriers and utilities may affect Corus' ability to operate and therefore have a negative impact on its operations and/or its financial results.

INFORMATION SYSTEMS AND INTERNAL BUSINESS PROCESSES

The day-to-day operations of Corus are highly dependent on information technology systems and internal business processes and the ability of Corus and its service providers to protect the Company's networks and information technology systems. An inability to operate or enhance information technology systems could have an adverse impact on Corus' ability to produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although Corus 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 Corus operations and/or its financial results.

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, unauthorized access to corporate or network information technology systems or other breaches of security could result in service disruptions to, or 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. Establishing response strategies and business continuity protocols to maintain operations if any disruptive event materializes is critical to the Company. A failure to complete planned and sufficient testing, maintenance or replacement of the Company's networks, equipment and facilities as

appropriate, could disrupt the Company's operations or require significant resources.

The Company uses several cloud-based systems in the operation of its business. The Company depends on these cloud-based technology system providers to provide uninterrupted system access as well as to ensure the Company's data, which resides in those systems, is appropriately protected and safeguarded. An inability to have continuous access to these systems could result in Corus' inability to generate accurate and timely financial data. The third party cloud-based system providers may also be subject to cyber attacks which could result in the loss of data and/or reputational damage. There can be no assurance that the steps Corus takes to reduce the risk of service outages or cyber attacks will be adequate to prevent them in the future.

INTELLECTUAL PROPERTY RIGHTS / PIRACY

Television / Radio – Broadcast Business

Corus pays significant licence fees to acquire rights to content and branding on an exclusive basis.

From time to time, various third parties may contest or infringe upon these owned or licensed rights. Any such infringement, including increasingly rampant online piracy and illegal distribution of copyrighted television content, may have a material adverse impact on Corus' operations and financial results. Corus takes commercially reasonable efforts to minimize these risks including negotiating and enforcing protective covenants in its content licensing agreements.

There are systems in place to track proper registration and renewal of Corus' owned trade mark portfolio, and to have notice of third-party applications that may potentially conflict with Corus' trade marks, all with a view to ensuring that Corus' registrable intellectual property is afforded the maximum protection under applicable law.

Upon notice of a potential infringement of its owned or licensed intellectual property, Corus reviews these matters to determine what, if any, steps may be required or should be taken to protect its rights, including legal action, negotiated settlement and/or seeking remedies from intellectual property licensors. There can be no assurance that the steps that Corus takes to establish and protect its intellectual property will be adequate to prevent or eliminate infringement of its intellectual property and protect Corus' ability to competitively market and brand its television and digital services and/or be the exclusive distribution source of key licensed content in Canada.

Corus' linear television and digital platforms and services broadcast, make available, distribute and may contain many forms of content including licensed audio-visual programming, text, news, graphics, databases, photographs, recipes, audio files (music or otherwise) and rich interactive content, blog content, and user-generated content including story comments, and internal and external links. Corus takes steps to ensure that procedures are in place to clear rights and to monitor user-generated 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 an exposure to liability for third-party claims.

Television – Content Business

Corus must be able to protect its trade marks, copyrights and other proprietary rights to competitively produce, distribute and licence 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.

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.

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 news gathering 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 also 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. However, there can be no assurances that the Journalistic Principles and Practices comprehensively mitigate such risks. Events out of the Company's control may affect the Company's ability to operate and therefore have a negative impact on its operations and/or its financial results.

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 federal and provincial tax credits a qualifying production may receive can constitute a material portion of a production budget and typically can be as much as 30% to 40% of the Canadian production budget. 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.

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.

PEOPLE

Employee Retention, Recruitment and Engagement

Corus' operations depend on the expertise, efforts and engagement of its employees. The industry is competitive in attracting and retaining a skilled workforce. The loss of key employees, through attrition or retirement or any deterioration in overall employee morale and engagement resulting from organizational changes, unresolved collective agreements or other events could have an adverse impact on Corus' operations and/or financial results. As well, failure to establish an effective succession plan could impair operations until qualified replacements are found.

Unionized Labour

As at August 31, 2019, 28% of the Company's employees were employed under one of six collective agreements represented by two 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 effects to the Company's operations and/or financial results.

ENVIRONMENTAL CONCERNS

Several areas of our operations further raise environmental considerations such as fuel storage, greenhouse gas emissions, disposal of hazardous residual materials, and recovery and recycling of end-of-life electronic products. The Company also owns or leases a variety of properties, including its transmitter sites. Some or all of these sites may contain fuel storage systems for backup power generation. Leaks or spills from any of these storage tanks may pose an environmental risk or result in adverse environmental conditions that could result in liability for the Company. Failure to recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, remedial costs, missed opportunities, additional regulatory scrutiny or harm Corus' brand and reputation.

C. FINANCIAL RISKS

LEVERAGE RISK

The Company's stated long-term objectives are a leverage target (net debt to segment profit ratio) below 3.0 times and to maintain a dividend yield in excess of 2.5%. In the short-term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

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.

DIVIDEND PAYMENTS

Payment of dividends on the Company's Class A Voting Shares and Class B Non-Voting Shares is dependent on the cash flow of the Company and subject to change. In fiscal 2018, the Company paid 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. Effective September 1, 2018, the Company's annual dividend rate was adjusted to \$0.24 per Class B Non-Voting Share and \$0.235 per Class A Voting Share and dividend payments were made quarterly commencing in December 2018. Declarations and payments of dividends are subject to the approval of the Board of Directors. While the Company expects to generate sufficient free cash flow in fiscal 2020 to fund the Company's annual dividend rate for fiscal 2020, actual results may differ from the Company's expectations and there can be no assurance that the Company will be able to continue dividend payments at the currently anticipated rate or at all in the future. A reduction or cessation of the payment of dividends could materially affect the trading price of the Class B Non-Voting Shares.

MARKET VOLATILITY

The market price for the Class B Non-Voting Shares may be volatile and subject to fluctuations in response to numerous factors, many of which may be beyond Corus' control. Financial markets have experienced significant price and volume fluctuations that have been particularly affected by the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. The market price for the Company's Class B Non-Voting Shares may decline in the future, even if the Company's operating results, underlying asset values or prospects have not changed.

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 lending practices or the availability of capital, could have a materially adverse effect on the Company's ability to raise or refinance debt. There can be no assurances that additional financing could be available to the Company when needed or on terms that are acceptable. The Company's inability to raise or refinance capital when required to fund on-going operations or capital expenditures could limit growth and may have a material adverse effect on Corus, its operations and/or its financial results.

TAXES

Corus' business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to the Company. While Corus believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Corus' tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

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. As such, Corus is exposed to risk on the interest rate of the Company's debt.

The Company manages its exposure to floating interest rates through the maintenance of a balance of fixed rate and floating rate debt or through the use of interest rate swap contracts to fix the interest rate on its floating rate debt. As at August 31, 2019, 86% (2018 – 80%) of the Company's consolidated long-term debt was fixed with respect to interest rates. Increases in interest rates could materially increase the cost of its financing and have a material adverse effect on the Company's financial performance.

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.

As at August 31, 2019, the Company's trade receivables and allowance for doubtful accounts balances were \$354.9 million and \$4.7 million, respectively.

FOREIGN CURRENCY RISK

A portion of the Company's revenues and expenses are in currencies other than Canadian dollars and, therefore, are subject to fluctuations in exchange rates. Approximately 4% of Corus' total revenues in fiscal 2019 (2018 – 4%) were in foreign currencies, the majority of which was U.S. dollars. Approximately \$154.1 million of Corus' total payables at August 31, 2019 (2018 – \$162.4 million) were denominated in foreign currencies and are comprised of predominantly U.S. dollars. Accordingly, fluctuations in the Canadian dollar - U.S. dollar exchange rate may adversely affect Corus' financial results.

The Company manages its exposure to foreign exchange risk on U.S. dollar payments through the use of foreign exchange forward contracts to fix the exchange rate on a portion of its U.S. denominated payables. As at August 31, 2019, \$68.6 million (2018 – \$88.4 million) of the Company's U.S. denominated payables were fixed with respect to foreign exchange rates.

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

ACQUISITIONS AND OTHER STRATEGIC TRANSACTIONS

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

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 the 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.

D. OWNERSHIP RISK

CONTROL OF CORUS BY THE SHAW FAMILY

A majority of the outstanding Class A Voting Shares are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. As at August 31, 2019, SFLT and its subsidiaries held 2,885,530 Class A Voting Shares, representing approximately 85% of the outstanding Class A Voting Shares, for the benefit of descendants of JR and Carol Shaw. JR Shaw controls these shares and controls 4,500 additional Class A Voting Shares. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including as at August 31, 2019, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw's family and one independent director. The Class A participating shares are the only shares entitled to vote in most circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of Corus and to control the vote on matters submitted to a vote of Corus' Class A participating shareholders.

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

TERMINATION OF GOVERNANCE AND INVESTOR RIGHTS AGREEMENT

Concurrent with the closing of the Shaw Media Acquisition and following the issuance of 71,364,853 Class B Non-Voting Shares (the "Shares"), Corus and Shaw entered into the Governance and Investor Rights Agreement ("GIRA"), pursuant to which Corus granted certain rights to Shaw.

On May 31, 2019, Corus announced the closing of the secondary offering (the "Offering") of 80,630,383 Corus Class B Non-Voting Shares by Shaw for total gross proceeds to Shaw of \$548,286,604.

The GIRA provided that it would terminate upon Shaw beneficially owning less than 5% of the outstanding Shares. As a result of the Offering, Shaw ceased to own, control or direct any Shares. The GIRA terminated on May 31, 2019.

E. REGULATORY RISKS

IMPACT OF REGULATION

Corus' radio and television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission") under the *Broadcasting Act*. Accordingly, Corus' results of operations could be adversely affected by changes in regulations, policies and decisions by the CRTC. These changes may relate to, or may have an impact on, among other matters, licensing, licence renewal, competition, the television programming services the Company must distribute, infrastructure access and the potential for new or increased fees or costs, described below. In addition, the costs of providing services may be increased from time to time as a result of compliance with industry or legislative initiatives to address consumer protection concerns or Internet-related issues such as copyright infringement, unsolicited commercial e-mail, cybercrime, and lawful access. There can be no assurance that future regulatory requirements will not be imposed on Corus. Any changes in the regulatory regime could have a material adverse effect on Corus and its reputation, as well as Corus' results of operations and future prospects.

The CRTC, among other things, issues licences to operate radio and television stations. The Company's CRTC licences must be renewed from time to time and cannot be transferred without regulatory approval. Corus' radio stations must also meet technical operating requirements under the *Radiocommunication Act* and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licencees, including exhibition (number of hours broadcast) requirements for Canadian content, Canadian content expenditure requirements and access obligations (i.e. closed captioning or descriptive video). Any failure by the Company to comply with the conditions of a licence could result in a revocation or forfeiture of the licence or imposition of mandatory orders from the Federal Court that could lead to the imposition of fines.

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

Corus' radio, conventional television and specialty television undertakings rely upon blanket licences held by rights-holding collectives 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 licences, Corus is required to pay a range of tariff royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* (Canada) (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 licences.

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

CRTC Policy Review

A series of CRTC policy statements in 2015 and 2016 and substantive decisions under the overall mantle known as "Let's Talk TV" have introduced several changes to the regulatory framework governing BDUs and Broadcasting Undertakings.

Corus recommends that readers review the CRTC source documents at www.CRTC.gc.ca for a complete understanding of the changes. Information contained on, or accessible through, third party websites is not deemed to form a part of, or be incorporated by reference into, this MD&A.

On May 15, 2017, the CRTC issued its licence renewal decisions for TV licences held by Corus. All Corus English-language and French-language television services were given new five-year licence terms, which began on September 1, 2017 and will end on August 31, 2022. The Canadian Programming Expenditure ("CPE") requirements for Corus' English-language services were set at 30% and expenditures towards programming of public national interest ("PNI") were set at 5%, while the CPE for Corus' French-language group of services were set at 26% and the PNI requirement was set at 15%. The CRTC also removed the vestiges of legacy conditions of licence in accordance with the Commission's Let's Talk TV policy.

Following the Group Based Licence ("GBL") renewal decisions in May 2017, a number of parties in the creative community appealed the decisions to the Cabinet of the Canadian federal government. In particular, these

parties focused on the level of PNI expenditure obligations and contributions to original French-language programming and music programming.

On August 30, 2017, the CRTC requested that the large media groups file information and/or amend their original applications. The Commission decided to forego an oral hearing and make a decision based on the written record. The CRTC clarified that for the 2017-2018 broadcast year, the May 2017 GBL decisions would apply without modification.

On August 30, 2018, the CRTC published its reassessed baseline spending requirements for PNI expenditures for English-language services. The CRTC increased the PNI expenditure requirements for the Company to 8.5% which applies from September 1, 2018 through to August 31, 2022. The CRTC also increased the minimum threshold for French-language services on CPE to 50% for the period September 1, 2018 through August 31, 2019 and to 75% for the remaining years of the licence term (September 1, 2019 to August 31, 2022).

The Company has concluded that the impact of these amendments to its television broadcast licences and compliance has no material adverse impact to Corus' business, results of operations, prospects and financial condition.

More information can be found at www.crtc.gc.ca. Information contained on, or accessible through, third party websites is not deemed to form a part of, or be incorporated by reference into, this MD&A.

Telecommunications Act, Radiocommunication Act, and Broadcasting Act Review

In September 2017, the Minister of Canadian Heritage directed the CRTC to prepare a report on the future of programming and distribution models. The CRTC launched a two-phase consultation process to gather input from the public. Phase I was completed in December 2017 and Phase II in February 2018. Following this consultation, the CRTC released its report titled, "Harnessing Change" on May 31, 2018. On June 5, 2018, the Government of Canada launched a review of the *Broadcasting Act*, the *Telecommunications Act* and the *Radiocommunication Act*. The review will be conducted by a panel of seven independent experts. The findings of the CRTC's "Harnessing Change" report are expected to inform the government's review of the *Broadcasting Act*. The deadline for submissions to the review panel was January 11, 2019 and the panel is expected to release its final report in January 2020. It will ultimately fall to the newly elected government to determine whether to implement any of the Panel's recommendations to amend the legislation.

The potential outcome of this process is difficult to predict and as such, the impact is not determinable at this time but could adversely affect the Company's results of operations and financial performance.

More information can be found at www.canada.ca.

Copyright Act Requirements

The Company's radio, conventional television and specialty television undertakings rely upon licences issued under the *Copyright Act* (Canada) (the "*Copyright Act*") to make use of the music component of the programming and other uses of works used or distributed by these undertakings. Under these licences, the Company 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 the Company are subject to change upon application by the collective 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 licences.

The Government of Canada has been conducting two separate but related reviews of the Copyright Board of Canada and the *Copyright Act*. The first, launched by ISED and the Department of Canadian Heritage in August 2017, is focused on options to improve the efficiency of the Copyright Board. The results of that study were revealed on October 29, 2018 when the federal government tabled changes to the *Copyright Act* relating to the Board as part of omnibus budget implementation legislation. Among other things, these changes are intended to speed up the Board's decision-making processes, reduce the extent to which copyright royalties are applied retroactively and harmonize the various collective management regimes in the *Copyright Act*.

Two parliamentary committees conducted parallel studies of the *Copyright Act* in 2018 - 2019 in which they heard from a number of witnesses representing industry, academia and consumers. Corus supported the advocacy of the broadcasting industry and submitted briefs to the Committees. The Committees delivered reports with recommendations in June 2019. Following the October 2019 federal election the newly elected

federal government will be responsible for making amendments to the *Copyright Act*, if any. The timing of those amendments is uncertain. The potential outcome of this process is difficult to predict and as such, the impact is not determinable at this time but could adversely affect the Company's results of operations and financial performance.

PROPOSED PROHIBITIONS ON FOOD ADVERTISING TO CHILDREN

On September 27, 2016, Bill S-228 (the "Bill"), an Act to amend the *Food and Drugs Act* (proposed federal legislation that proposed to limit unhealthy food and beverage advertising directed at children), was tabled for first reading in Parliament. At the same time as Parliament was considering the Bill, Health Canada conducted a public consultation on a proposed approach to regulating food and beverage advertising that would fall under the new legislation. That proposed regulatory approach would have impacted Corus' television advertising revenues. Corus participated in both the legislated and regulatory public consultation in collaboration with its broadcast partners. The Bill made it to the final stage of the legislative process, but before it could receive Royal Assent and pass into law the current parliamentary session concluded on June 21, 2019. Under the rules of Parliamentary procedure, the Bill died on the order paper when Parliament was formally dissolved on September 11, 2019. Should the newly elected government choose to proceed with similar legislation, it would have to re-introduce a new bill and begin at the first stage of the legislative process. In the meantime, in the absence of enabling legislation, Health Canada's regulatory development efforts appear to have stalled. The decision about whether to proceed with new policies in this space will fall to the newly elected federal government.

DIGITAL TRANSITION AND REPURPOSING OF SPECTRUM

The technical aspects of the operation of radio and television stations in Canada are also subject to the licensing requirements and oversight of Innovation, Science and Economic Development Canada ("ISED"), a Ministry of the Government of Canada.

On August 14, 2015, the Government of Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band and to jointly establish a new allotment plan in collaboration with the United States. ISED has aligned with the US Federal Communications Commission to participate in a spectrum redistribution plan that will require broadcasters to vacate spectrum in TV channels 37-51 (608-692 MHz), as that will be consumed by mobile use. Of the Company's 92 over-the-air television ("OTA") transmitters, 44 are identified in the government's channel re-allotment plan, but only 19 of these will ultimately be impacted. The Company is currently decommissioning 44 broadcasting transmitters, which will include a number of transmitters that would otherwise be forced to transition out of the 600 MHz band. Accommodating these changes will require Corus to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. The first five impacted Corus transmitters - located in Windsor/Stevenson, Sarnia, Oshawa and Prescott, Ontario - had to transition by June 21, 2019, and Paris, Ontario had to transition by August 2, 2019. They were all successfully migrated on schedule.

The Company has concluded that the impact of migrating 19 transmitter sites will not materially impact Corus' business, results of operations, prospects and financial condition.

ANTI-SPAM / PRIVACY PROTECTION LEGISLATION

Canada's anti-spam legislation (together with the related regulations, "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to \$10 million. Corus has in place a compliance program with respect to CASL including electronic communications guidelines to minimize risk of non-compliance.

The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") sets out the standard for obtaining consent for the collection, use and retention of personal information. Privacy protection of personal information is an area of law that is fast evolving in order to keep pace with technological and business model changes. Corus believes it takes reasonable and prudent steps to comply with PIPEDA and other privacy legislation, including having appointed a Privacy Officer to manage all privacy issues relating to Corus' business activities.

There can be no assurance that the Company's compliance procedures will prevent a non-compliance event, which could materially adversely impact Corus' results of operations.

RESTRICTIONS ON NON-CANADIAN OWNERSHIP AND CONTROL

The Company is subject to Canadian ownership and control restrictions, including restrictions on the ownership of the Class A Voting Shares and Class B Non-Voting Shares under the *Broadcasting Act*. Although the Company believes it to be in compliance with the relevant legislation, there can be no assurance that a future CRTC determination, or events beyond the Company's control, will not result in Corus ceasing to be in compliance

with the relevant legislation. If such a development were to occur, the ability of Corus' subsidiaries to operate as Canadian carriers under the *Broadcasting Act* could be jeopardized and the Company's business could be materially adversely affected.

F. CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business from time to time. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2019, 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. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating as well as the trading price of the Class B Non-Voting Shares.

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 the certain transactions in which the Company is involved.

CONTROL OF THE COMPANY BY THE SHAW FAMILY

As at September 30, 2019, Shaw Family Living Trust ("SFLT") and its subsidiaries hold approximately 85% of the outstanding Class A Voting Shares of the Company, for the benefit of descendants of JR and Carol Shaw. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including, as at September 30, 2019, JR Shaw as Chair, Heather Shaw, Julie Shaw, three other members of JR Shaw's family and one independent director. JR Shaw controls the Class A Voting shares held by SFLT and its subsidiaries. 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. Accordingly, SFLT is, and as long as it holds 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, and as a result, both Shaw and Corus are subject to common voting control.

SHAW COMMUNICATIONS INC.

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 \$153.9 million (2018 – \$144.0 million), and production and distribution revenues of \$2.4 million (2018 – \$2.0 million) from Shaw. In addition, the Company paid cable and satellite system distribution access fees of \$12.0 million (2018 – \$12.3 million), administrative and other fees of \$2.0 million (2018 – \$2.0 million) to Shaw and received non-monetary advertising services from Shaw valued at \$7.7 million (2018 – nil). As at August 31, 2019, the Company had \$25.7 million (2018 – \$24.8 million) receivable and \$nil (2018 – \$0.1 million) payable to Shaw.

As of May 31, 2019, Shaw no longer holds any interest (2018 – 38% interest) in the Company. Dividends of \$9.7 million (2018 – \$91.9 million) were paid to Shaw for the year ended August 31, 2019.

OUTSTANDING SHARE DATA

As at October 17, 2019, 3,412,392 Class A Voting Shares and 208,584,666 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

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2019

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

AMENDMENTS TO IFRS 2 – *SHARE-BASED PAYMENTS ("IFRS 2")*

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

IFRIC 22 – *FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION ("IFRIC 22")*

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

IFRS 15 – *REVENUE FROM CONTRACTS WITH CUSTOMERS ("IFRS 15")*

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

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

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

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

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

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

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

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

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

IFRS 9 – FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT ("IFRS 9")

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

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

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

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

Financial assets

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

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

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

Financial liabilities

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

Expected credit loss impairment model

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

of a financial instrument. The adoption of the ECL model did not have a significant impact on the Company's financial statements, and did not result in a transitional adjustment.

Financial instruments

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

Investments in venture funds

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

Derivative Instruments and Hedge Accounting

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

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

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

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

CHANGES IN ESTIMATES

INTANGIBLE ASSETS

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

PENDING ACCOUNTING PRONOUNCEMENTS

IFRS 16 – LEASES (“IFRS 16”)

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

– *Leases* and its related Interpretations, and is effective for period beginning on or after January 1, 2019, which will be September 1, 2019 for Corus and is to be applied retrospectively.

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

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

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

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

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

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

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

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

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS (“IFRIC 23”)

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

The new interpretation is effective for annual periods beginning on or after January 1, 2019 and will be adopted by the Company effective September 1, 2019. The company is currently assessing the impact of the new interpretation on its consolidated financial statements. The Company does not anticipate any material impact.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's significant accounting policies are described in note 3 to the fiscal 2019 audited consolidated financial statements and notes thereto, which have been prepared in accordance with IFRS. The preparation of these fiscal 2019 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 programming and 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.

IMPAIRMENT OF LONG-LIVED ASSETS

At each reporting date, the Company assesses its long-lived assets, including property, plant and equipment, program 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 licences, 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 licences 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 licences 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.

In the third quarter of fiscal 2018, the Company recorded a non-cash impairment charge of \$13.7 million related to broadcast licence impairment charges related to certain CGUs in the Radio segment and \$1.0 billion related to goodwill impairment in the Television segment. An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the earnings growth rate each year, or a decrease of 50 basis points in the terminal growth rate, each used in isolation to perform the radio broadcast licence and television goodwill impairment tests, would not have resulted in a material change in the broadcast licence impairment in the Radio segment, however would have resulted in an additional incremental goodwill impairment charge in the Television operating segment of between \$10.0 million and \$190.0 million.

A significant portion of the Company's total assets are long-lived intangible assets and goodwill. As at August 31, 2019, 70% of the Company's total assets were long-lived intangible assets. The Company records impairment losses on its long-lived assets when it believes that their carrying value may not be recoverable. Recoverability is highly dependent on the projected operating results of the Company. There can be no assurance that the Company will not record impairment charges in the future that could materially adversely impact Corus' financial results.

The Company has completed its annual impairment testing of goodwill and indefinite lived intangible assets in the fourth quarter of fiscal 2019 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 two supplementary executive non-registered retirement plans which provide pension benefits to certain of its key senior executives. The amounts reported in the consolidated financial statements relating to the defined benefit 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 and comprehensive 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 incremental 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 August 31, 2019	Pension expense for the year ended August 31, 2019
Weighted average discount rate – registered plans	2.90%	3.70%
Weighted average discount rate – non-registered plans	2.83%	3.70%
Impact of: 1% decrease – registered plans	\$45,301	\$3,005
Impact of: 1% decrease – non-registered plans	\$5,519	\$69

The significant assumptions used on the benefit obligation are disclosed in note 29 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 as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2019, the Company's disclosure controls and procedures were effective.

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 have 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, 2019, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as at August 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2019 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.