

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three months ended November 30, 2020 is prepared as at January 11, 2021. The following should be read in conjunction with Management's Discussion and Analysis, consolidated financial statements and the notes thereto included in the Company's Annual Report for the year ended August 31, 2020 and the interim condensed consolidated financial statements and notes of the current quarter. The financial highlights included in the discussion of the segmented results are derived from the unaudited interim condensed consolidated financial statements. All amounts are stated in Canadian dollars unless specified otherwise.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking information"). These forward-looking statements relate to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances may be considered forward-looking information. Although Corus believes that the expectations reflected in such forward-looking information are reasonable, such information involves assumptions, risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied with respect to the forward-looking information, including without limitation: factors and assumptions regarding the general market conditions and general outlook for the industry, interest rates, stability of the advertising, distribution, merchandise and subscription markets, operating and capital costs and tariffs, taxes and fees, our ability to source desirable content and our capital and operating results being consistent with our expectations. Actual results may differ materially from those expressed or implied in such information. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; failure to meet covenants under our senior credit facility; epidemics, pandemics or other public health crises, including the current outbreak of novel coronavirus ("COVID-19") and changes in accounting standards. Additional information about these factors and about the material assumptions underlying any forward-looking information may be found under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis for the year ended August 31, 2020 and this document and under the heading "Risk Factors" in our Annual Information Form. Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise specified, all forward-looking information in this document speaks as of the date of this document. Unless otherwise required by applicable securities laws, Corus disclaims any intention or obligation to publicly update or revise any forward-looking information whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

For a discussion on the Company's results of operations for fiscal 2020, we refer you to the Company's Annual Report for the year ended August 31, 2020, filed on SEDAR on December 14, 2020.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUES

Consolidated revenues for the first quarter of fiscal 2021 of \$420.4 million decreased 10% from \$467.9 million in the prior year. On a consolidated basis, advertising revenues declined 15% from the prior year, subscriber revenues were consistent with the prior year, while merchandising, distribution and other revenues increased 8% compared to the prior year. Revenues were down 9% in Television and decreased in Radio by 26%, compared to the prior year. Further analysis of revenues is provided in the discussion of segmented results.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the first quarter of fiscal 2021 of \$241.7 million decreased 15% from \$283.8 million in the prior year. On a consolidated basis, direct cost of sales decreased 17%, employee costs decreased 4% and general and administrative expenses decreased 25% from the prior year. The decrease in direct cost of sales arises from decreases in amortization of program rights and film assets in the quarter. The decrease in employee costs was primarily due to the estimated Canada Emergency Wage Subsidy ("CEWS") benefit of \$3.7 million in the quarter and lower short-term compensation accruals, partially offset by increased share-based compensation expense. General and administrative expenses were lower as a result of the relief on Part I CRTC fees, and lower tariff royalties that are positively correlated with revenues. General and administrative expenses were also positively impacted by a suspension in the first half of fiscal 2021 of most discretionary costs such as advertising, marketing, travel, and entertainment, as well as lower utility and transmission costs, offset by increases over prior year in consulting fees and to a lesser extent incremental COVID-19 related costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Consolidated segment profit for the first quarter of fiscal 2021 was \$178.6 million, which was down 3% from \$184.1 million in the prior year. Segment profit margin for the first quarter of fiscal 2021 was 42%, an increase from 39% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended November 30, 2020 was \$38.0 million, a decrease from \$40.0 million in the prior year. The decrease in the quarter was principally a result of decreases in amortization of brands of \$1.8 million.

INTEREST EXPENSE

Interest expense for the three months ended November 30, 2020 was \$24.7 million, down from \$28.8 million in the prior year. The decrease results primarily from lower interest on bank debt of \$2.8 million and lower imputed interest of \$1.5 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, partially offset by \$0.2 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled on November 28, 2017. The reduction in interest on bank debt is due to lower debt levels.

The effective interest rate on bank loans for the three months ended November 30, 2020 was 4.0% compared to 4.1% in the prior year. The decrease in the effective rate for fiscal 2021 is due to lower market floating rates, largely offset by interest rate swaps.

INTEGRATION, RESTRUCTURING AND OTHER COSTS

For the three months ended November 30, 2020, the Company incurred \$4.3 million of integration, restructuring and other costs, compared to \$2.5 million in the prior year. The current fiscal year costs are related to restructuring costs associated with employee exits, continued transmitter decommissioning costs and system integration costs. These charges are excluded from the determination of segment profit.

OTHER INCOME, NET

Other income for the three months ended November 30, 2020 was \$0.6 million, compared to \$2.1 million in the prior year. The decrease in the quarter reflects gains on U.S. denominated obligations, accounts payable, accounts receivable and cash, offset by fair value adjustment on foreign exchange forward contracts.

INCOME TAX EXPENSE

The effective income tax rates for the three months ended in both November 30, 2020 and November 30, 2019, were consistent with the Company's statutory income tax rates.

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

Net income attributable to shareholders for the first quarter of fiscal 2021 was \$76.7 million (\$0.37 per share basic), as compared to net income attributable to shareholders of \$78.1 million (\$0.37 per share basic) in the prior year. Net income attributable to shareholders for the first quarter of fiscal 2021 includes integration, restructuring and other costs of \$4.3 million (\$0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$79.9 million (\$0.38 per share basic) in the quarter. Net income attributable to shareholders for the first quarter of fiscal 2020 includes integration, restructuring and other costs of \$2.5 million (\$0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$80.0 million (\$0.38 per share basic) in the prior year quarter.

The weighted average number of basic shares outstanding for the three months ended November 30, 2020 was 208,367,000 compared to 211,388,000 in the prior year. The number of shares outstanding decreased as a result of the purchase and cancellation of Class B Non-Voting Participating Shares under the Company's normal course issuer bid ("NCIB"), which commenced on November 12, 2019 and expired on November 11, 2020.

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX

Other comprehensive income for the three months ended November 30, 2020 was \$5.1 million, compared to \$15.2 million in the prior year. For the three months ended November 30, 2020, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$3.4 million and unrealized gains on the fair value of cash flow hedges of \$2.5 million, offset by an unrealized loss from the change in the fair value of financial assets of \$0.8 million. In the prior year, other comprehensive income includes an unrealized gain on the remeasurement of post-employment benefit plans of \$4.8 million, an unrealized gain from the change in the fair value of financial assets of \$5.5 million, and an unrealized gain on the fair value of cash flow hedges of \$4.9 million, offset by an unrealized gain from foreign currency translation adjustments of \$0.1 million.

TELEVISION

The Television segment is comprised of 33 specialty television services (34 services prior to December 31, 2020; 35 services prior to December 31, 2019; 37 services prior to September 30, 2019), 15 conventional television stations, digital assets, a social media digital agency, a social media creator network, technology and media services, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, and animation software.

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended	
	2020	November 30, 2019
Revenues		
Advertising	246,258	286,258
Subscriber fees	123,701	123,669
Merchandising, distribution and other	22,143	20,024
Total revenues	392,102	429,951
Expenses	212,537	251,333
Segment profit ⁽¹⁾	179,565	178,618
Segment profit margin ⁽¹⁾	46%	42%

⁽¹⁾ As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

Revenues in the first quarter of fiscal 2021 decreased 9% from the prior year as a result of a decline of 14% in advertising revenues, while subscriber revenues remained flat, partially offset by an increase of 11% in merchandising, distribution and other revenues. The resurgence of COVID-19, prompting new restrictions in all markets, continued to cause a marked contraction in advertising revenues. However, the decline in advertising revenues in the first quarter of fiscal 2021 was not as pronounced as in the last two quarters of fiscal 2020 (three months ended May 31, 2020 – down 31%; three months ended August 31, 2020 – down 25%). Sequential improvement over two successive quarters was driven by gradual increases in overall television advertising demand. Subscriber revenues remained consistent with the prior year as a result of subscriber growth on STACKTV offsetting lower subscribers in the traditional system and the shut-down of Cosmo, IFC (September 2019) and FYI (December 2019), as well as positive retroactive adjustments that occurred upon renewal of distribution agreements in the prior and current year. The increase in merchandising, distribution and other

revenues was primarily driven by strong content licensing sales from both Nelvana and Corus Studios, as well as Toon Boom Animation software and services, partially offset by a decline in Merchandising from the prior year.

Expenses in the first quarter of fiscal 2021 were down 15% from the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) decreased 17% from the prior year, while general and administrative expenses were down by 14% from the prior year. Amortization of program rights decreased by 17% from the prior year, film amortization decreased by 24% (\$1.3 million) and other cost of sales decreased 10% (\$0.9 million). The decrease in amortization of program rights was driven predominantly by lower amortization arising from a modified fall schedule due to a delay in programming deliveries, the shut-down of three specialty television services in the prior year (Cosmo, IFC, and FYI), partially offset by higher costs from the renewals of certain U.S. output deals. Amortization of film investments decreased principally as a result of a higher number of acquired properties in the current quarter than the prior year that have lower amortization rates, partially offset by higher amortization on in-house productions, while the decrease in other cost of sales was principally a result of costs associated with certain sales initiatives. Employee costs decreased 7% primarily due to the estimated CEWS benefit of \$2.5 million, lower freelancer costs and lower short-term compensation accruals. Other general and administrative expenses were 24% lower as a result of a suspension, for the first half of fiscal 2021, of most discretionary spending on travel, entertainment, advertising and promotions, relief on Part I CRTC fees, lower trade mark fees and tariff royalties levied under the *Copyright Act* that are both positively correlated with movements in revenues, and transmission costs.

Segment profit⁽¹⁾ was up 1% for the first quarter of fiscal 2021. The increase in the first quarter was a result of decreases in direct cost of sales and general and administrative expenses exceeding decreases in revenues. Segment profit margin⁽¹⁾ for the quarter was 46% up from the prior year of 42%.

⁽¹⁾ As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

RADIO

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

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended	
	2020	November 30, 2019
Revenues	28,253	37,927
Expenses	21,112	25,899
Segment profit ⁽¹⁾	7,141	12,028
Segment profit margin ⁽¹⁾	25%	32%

⁽¹⁾ As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

Revenues decreased 26% in the first quarter of fiscal 2021. The resurgence of COVID-19, prompting new restrictions in all markets, continued to cause a marked contraction in advertising revenues. However, the decline in advertising revenues in the first quarter of fiscal 2021 was not as pronounced as it was in the last two quarters of fiscal 2020 (three months ended May 31, 2020 – down 53%; three months ended August 31, 2020 – down 43%). Sequential improvement over two successive quarters was driven by gradual increases in certain Ontario and British Columbia markets due to ratings improvements and modest growth in the retail and government spending categories. This was offset by persistent economic challenges in the Alberta market and further exacerbated by the cancellation of the Canadian Football League and postponement of the National Hockey League seasons. The Company continues to work closely with its advertisers and agencies to create relevant and innovative marketing and advertising opportunities.

Direct cost of sales and general and administrative expenses were down 18% in the first quarter of fiscal 2021. The decreases were principally from lower part-time employee costs and the estimated CEWS benefit of \$0.4 million, relief on Part I CRTC fees and reductions on tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenues, as well as a suspension, for the first half of fiscal 2021, of most discretionary spending on travel, entertainment, advertising and promotions.

Radio's segment profit⁽¹⁾ declined \$4.9 million in the first quarter of fiscal 2021. Segment profit margin⁽¹⁾ of 25% for the quarter was down from segment profit margin of 32% in the prior year, but significantly improved from the last two quarters of fiscal 2020 (three months ended May 31, 2020 - negative 10%; three months ended August 31, 2020 - negative 6%).

⁽¹⁾ As defined in the "Key Performance Indicators" section of Management's Discussion and Analysis in the Company's August 31, 2020 Annual Report

CORPORATE

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

FINANCIAL HIGHLIGHTS

	Three months ended	
		November 30,
(thousands of Canadian dollars)	2020	2019
Share-based compensation	4,115	2,855
Other general and administrative costs	3,984	3,676
	8,099	6,531

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

Share-based compensation increased in the first quarter by \$0.7 million. This increase is due to the increase in the Company's share price, which is partially offset by the change in the fair value of the total return swaps (refer to note 5 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs increased 8% (\$0.3 million) in the quarter. The increase in the quarter is related to higher short-term compensation accruals, higher consulting fees, and incremental COVID-19 related costs, partially offset by the estimated CEWS benefit of \$0.8 million, reduced travel, entertainment and legal costs.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2020, 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.

In fiscal 2021, the impact of COVID-19 and measures to prevent its spread continue to significantly affect advertising revenues which continue to deviate from historical distribution patterns, but are showing improvement from the third and fourth quarters of fiscal 2020. In fiscal 2020, this resulted in the third quarter of fiscal 2020 being lower than both the first and second quarters, which resulted in a downward trend in the second half of that fiscal year. The same pattern is observable in segment profit for fiscal 2020. 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.

Also in fiscal 2020, segment profit and free cash flow were positively impacted, when compared to fiscal 2019, by the adoption of IFRS 16 - Leases. The most significant effect of the new standard was the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use lease assets and lease liabilities, including those for most leases that would have previously been accounted for as operating leases. This results in depreciation of right-of-use lease assets, rather than as an expense in segment profit and presentation of lease payments as financing costs, rather than as part cash used by operations. The implementation of IFRS 16 did not have any impact on lease economics or lease cash flows. Impact on net income attributable to

shareholders was not material. Fiscal 2021 quarters are presented on the same basis as the fiscal 2020 quarters.

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 November 30, 2020. In Management's opinion, these unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2020, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

	Revenues	Segment profit ⁽¹⁾⁽²⁾	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders ⁽¹⁾	Earnings (loss) per share ⁽²⁾					
					Basic	Diluted	Adjusted basic	Free cash flow ⁽¹⁾⁽²⁾		
2021										
1st quarter	420,355	178,607	76,664	79,851	\$ 0.37	\$ 0.37	\$ 0.38	62,374		
2020										
4th quarter	318,396	94,502	30,278	33,181	\$ 0.15	\$ 0.15	\$ 0.16	87,353		
3rd quarter	348,967	111,313	(752,280)	18,996	\$ (3.61)	\$ (3.61)	\$ 0.09	90,773		
2nd quarter	375,995	115,909	18,524	25,900	\$ 0.09	\$ 0.09	\$ 0.12	65,073		
1st quarter	467,878	184,115	78,116	79,980	\$ 0.37	\$ 0.37	\$ 0.38	53,048		
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		

⁽¹⁾ As defined in "Key Performance Indicators" of this report or Management's Discussion and Analysis in the Company's Annual Report for the year ended August 31, 2020.

⁽²⁾ Effective September 1, 2019, the Company adopted IFRS 16. There has been no restatement of prior periods. Refer to Impact of New Accounting Policies section of the Company's Annual Report for the year ended August 31, 2020, filed on SEDAR on December 14, 2020.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the first quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of \$4.3 million (\$0.01 per share).
- Segment profit and free cash flow in the fourth quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately \$3.3 million and \$3.8 million, respectively; however the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the fourth quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$4.0 million (\$0.01 per share).
- Segment profit and free cash flow in the third quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately \$3.3 million and \$4.1 million, respectively; however, the impact on net income attributable to shareholders was not material. Net loss attributable to shareholders for the third quarter of fiscal 2020 was negatively impacted by non-cash radio broadcast license and television and radio goodwill impairment charges of \$786.8 million (\$3.69 per share) and integration, restructuring and other costs of \$2.6 million (\$0.01 per share).
- Segment profit and free cash flow in the second quarter of fiscal 2020 were positively impacted by IFRS 16 by approximately \$3.4 million and \$4.2 million, respectively; however, the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the second quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$10.0 million (\$0.03 per share).
- Segment profit and free cash flow in the first quarter of fiscal 2020 were positively impacted by the implementation of IFRS 16 by approximately \$3.4 million and \$3.9 million, respectively; however, the impact on net income attributable to shareholders was not material. Net income attributable to shareholders for the first quarter of fiscal 2020 was negatively impacted by integration, restructuring and other costs of \$2.5 million (\$0.01 per share).
- 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 integration, restructuring and other 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), integration, restructuring and other 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), integration, restructuring and other 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).

FINANCIAL POSITION

Total assets at November 30, 2020 were \$4.0 billion, which was consistent with total assets at August 31, 2020. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2020.

Current assets at November 30, 2020 were \$468.8 million, up \$108.2 million from August 31, 2020.

Cash and cash equivalents increased by \$4.0 million from August 31, 2020. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$96.0 million from August 31, 2020. The accounts receivable balance is subject to seasonal trends. Typically, the balance of trade receivables is higher at the end of the first and third quarters and lower at the end of the second and fourth quarters as a result of the broadcast advertising revenue seasonality; however this year seasonal trends may be significantly impacted by the resurgence of COVID-19 and may not be representative of historical results (see the Seasonal Fluctuations under the *Quarterly Consolidated Financial Information* section of this report for further details). The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased \$4.7 million from August 31, 2020 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased \$1.7 million from August 31, 2020, primarily as a result of an increase in the net asset position of certain post employment benefit plans, offset by a decrease in unrealized gains related to forward foreign exchange contracts.

Property, plant and equipment decreased \$10.1 million from August 31, 2020 as a result of depreciation expense exceeding additions.

Program rights decreased \$15.1 million from August 31, 2020, as additions of acquired rights of \$94.6 million were offset by amortization of \$109.7 million.

Film investments decreased \$1.7 million from August 31, 2020, as film additions (net of tax credit accruals) of \$2.5 million were offset by film amortization of \$4.2 million.

Intangibles decreased \$27.0 million from August 31, 2020, primarily as a result of amortization of finite life intangibles, while goodwill remained unchanged from August 31, 2020.

Accounts payable and accrued liabilities increased \$57.5 million from August 31, 2020, principally as a result of higher program rights payable, trade accounts payable, unremitted sales taxes, film production accruals, and other accrued liabilities, which include other working capital accruals, offset by decreases to unearned revenues, trade marks payable, short-term lease liabilities, short-term compensation accruals, capital asset purchases, and accruals related to third party back-end participations.

Provisions, including the long-term portion, at November 30, 2020 of \$19.0 million increased \$0.8 million from August 31, 2020 as a result of restructuring related additions exceeding payments.

Bank debt, including the current portion, as at November 30, 2020 was \$1,473.6 million compared to \$1,506.1 million as at August 31, 2020. As at November 30, 2020, the \$158.6 million classified as the current portion of bank debt reflects the mandatory repayments in the following 12 months. During the three months ended November 30, 2020, the Company repaid bank debt of \$33.5 million and amortized \$1.0 million of deferred financing charges.

Other long-term liabilities decreased \$30.7 million from August 31, 2020, primarily from decreases in long-term program rights payable, adjustments to the fair value of interest rate swap derivatives, long-term liabilities related to trade marks, software licenses, leases, employee obligations, unearned revenues, and liabilities related

to merchandising and other intangible rights.

Share capital remained unchanged from August 31, 2020. Contributed surplus increased by \$0.3 million as a result of share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by \$4.0 million in the first quarter of fiscal 2021. Free cash flow for the first quarter of fiscal 2021 increased to \$62.4 million, from \$53.0 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 flow provided by operating activities for the three months ended November 30, 2020 was \$63.4 million compared to \$57.5 million in the prior year. The increase in the current quarter of \$5.9 million arises principally from higher cash flow from operations of \$16.2 million offset by higher cash used in working capital of \$10.3 million.

Cash used in investing activities for the three months ended November 30, 2020 was \$1.4 million compared to \$5.6 million in the prior year. In the current year, the Company had additions to property, plant and equipment of \$1.0 million and had net cash outflows of \$0.4 million for intangibles, investments and other assets. The prior year includes additions to property, plant and equipment of \$4.3 million and net cash outflows of intangibles, investments and other assets of \$1.3 million.

Cash used in financing activities in the three months ended November 30, 2020 was \$57.9 million compared to \$70.2 million in the prior year. In the current year, the Company repaid bank debt of \$33.5 million, returned capital of \$1.6 million related to the wind up of Cosmopolitan TV, paid dividends of \$16.7 million, and made payments related to right-of-use leases of \$4.0 million and software licenses of \$2.1 million. In the prior year, the Company repaid bank debt of \$48.7 million, repurchased shares of \$3.3 million, paid dividends of \$16.1 million, and made payments related to right-of-use leases of \$3.9 million, offset by equity funding by a non-controlling interest of \$2.1 million.

LIQUIDITY

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term 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 November 30, 2020, the Company had a net cash balance of \$49.9 million and had available approximately \$300.0 million under the Revolving Facility, all of which could be drawn. The Company was in compliance with all loan covenants. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the following 12 months.

For further details on the credit facilities most recently amended on May 31, 2019, refer to note 5 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at November 30, 2020, total capitalization was \$2,688.2 million compared to \$2,657.2 million at August 31, 2020, an increase of \$31.0 million. The increase in total capitalization is principally related to the decrease in accumulated deficit of \$68.2 million, offset by lower bank debt of \$32.5 million and higher cash of \$4.0 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CONTRACTUAL COMMITMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

On November 30, 2020, the Company initiated additional total return swap agreements on 1,329,000 share units with a notional value of \$1.2 million to further offset its exposure to changes in the fair value of certain cash settled share-based payment 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 November 30, 2020 is de minimis.

On November 11, 2020, the Company entered into a series of foreign exchange forward contracts totalling \$63.8 million U.S. dollars. On December 10, 2020, the Company entered into a further series of foreign exchange forward contracts totalling \$60.0 million U.S. dollars. Both transactions fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities.

The Company has the following undiscounted contractual obligations related to these forward currency contracts as at November 30, 2020:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	137,336	45,998	66,700	24,638	—
Contractual USD cash inflows	106,950	36,200	52,000	18,750	—

Forward contracts entered into subsequent to the quarter ended November 30, 2020 are as follows:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	76,890	14,417	38,445	24,028	—
Contractual USD cash inflows	60,000	11,250	30,000	18,750	—

KEY PERFORMANCE INDICATORS

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance. The Company measures the success of its strategies using a number of key performance indicators. These have been outlined in Management's Discussion and Analysis contained in the Annual Report for the year ended August 31, 2020, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

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

FREE CASH FLOW

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

	Three months ended November 30,	
(thousands of Canadian dollars)	2020	2019
Cash provided by (used in):		
Operating activities	63,381	57,472
Investing activities	(1,407)	(5,551)
	61,974	51,921
Add: cash used in business acquisitions and strategic investments ⁽¹⁾	400	1,127
Free cash flow	62,374	53,048

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

ADJUSTED NET INCOME AND ADJUSTED BASIC EARNINGS PER SHARE RECONCILIATION

	Three months ended November 30,	
(thousands of Canadian dollars, except per share amounts)	2020	2019
Net income attributable to shareholders	76,664	78,116
Adjustments, net of income tax:		
Integration, restructuring and other costs	3,187	1,864
Adjusted net income attributable to shareholders	79,851	79,980

	Three months ended November 30,	
	2020	2019
Basic earnings per share	\$0.37	\$0.37
Adjustments, net of income tax:		
Integration, restructuring and other costs	\$0.01	\$0.01
Adjusted basic earnings per share	\$0.38	\$0.38

NET DEBT AND NET DEBT TO SEGMENT PROFIT

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

(thousands of Canadian dollars)	As at November 30, 2020	As at August 31, 2020
Total bank loans, net of unamortized financing fees	1,473,605	1,506,089
Lease liabilities	146,536	148,580
Cash and cash equivalents	(49,937)	(45,900)
Net debt	1,570,204	1,608,769

(thousands of Canadian dollars)	As at November 30, 2020	As at August 31, 2020
Net debt (numerator)	1,570,204	1,608,769
Segment profit (denominator) ⁽¹⁾	500,331	505,839
Net debt to segment profit	3.14	3.18

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

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's August 31, 2020 Annual Report under the "Risks and Uncertainties" section. The following is an update to the changes in the risks or uncertainties facing the Company since that date.

COVID-19

The resurgence of COVID-19 has meant that many communities have levels of COVID-19 higher than levels in April and May, when COVID-19 was formally characterized as a pandemic and restrictions were first imposed. Additional emergency measures have been introduced in various provinces and territories in order to counter the resurgence of COVID-19 cases. Disruptions caused by the imposition of these emergency measures, particularly in the retail sector, continue to negatively impact advertising revenues. These emergency measures are expected to continue into the second quarter of fiscal 2021 which could continue to adversely impact advertising and other revenues. Although COVID-19 vaccines have been approved by the public health authorities, the timing of phased-in roll-outs of the vaccines and subsequent relaxation of emergency measures remains uncertain at this time. There can be no certainty that the approval and subsequent availability of vaccines will reduce the impact of the COVID-19 pandemic on the Company's business in the short to medium term.

The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others. Any of these developments, and others, could have a material adverse effect on the Company's business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, an impairment of investments in venture funds and a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

The Company's financial priorities remain unchanged. Importantly the Company remains committed to increasing its financial flexibility over the longer term. In this environment, the Company believes it is prudent to conserve cash out of an abundance of caution. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

Broadcasting Act Bill C-10

On November 3, 2020, the Minister of Canadian Heritage tabled Bill C-10 in Parliament, which proposes amendments to the *Broadcasting Act*. Most notably, the bill proposes incorporating "online undertakings" into the Canadian broadcasting regulatory framework, and replacing "conditions of licence" with "conditions of service". Whereas "conditions of licence" are only applicable to traditional broadcasting licence-holders, "conditions of service" would be applicable to all entities captured by the *Broadcasting Act*, including "online undertakings." The Minister also pledged to release a "direction" to the CRTC with more specific policy parameters for the regulator. Further regulatory consultation processes are expected to follow passage of the bill, which is currently proceeding through a multi-stage review process in Parliament. The potential outcome of this process is difficult to predict and, as such, the specific impact on the Company is not determinable at this time but the bill and related changes could adversely affect the Company's result of operations and financial performance.

Consumer Privacy Protection Act Bill C-11

On November 17, 2020, the Minister of Innovation, Science and Industry tabled Bill C-11 in Parliament, which proposes significant changes to Canada's private sector privacy laws. The bill seeks to enact the *Consumer Privacy Protection Act* ("CPPA") while simultaneously repealing corresponding provisions from Canada's existing data privacy legislation, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"). The CPPA would create new privacy obligations for data collecting organizations, including new requirements regarding informed consent and algorithmic transparency, as well as strict penalties for non-compliance, while maintaining and supplementing PIPEDA's policy principles. Bill C-11 also proposes to enact the *Personal Information and Data Protection Tribunal Act*, which would create a new administrative tribunal to hear appeals of the Privacy Commissioner's decisions and assists in administering the CPPA. Further regulatory development processes are expected to follow passage of the bill, which is currently proceeding through a multi-stage review process in Parliament. The impact of the CPPA on the Company's business, operations and financial condition cannot be determined at this time. Although the Company operates compliance procedures to address the obligations under PIPEDA and is reviewing these procedures in respect of the CPPA, there can be no assurance that the Company's compliance procedures will prevent a non-compliance event. Any failure to comply with applicable privacy laws could materially adversely impact Corus' results of operations.

IMPACT OF NEW ACCOUNTING POLICIES

The IASB continues to issue new and revised IFRS. There are no pending accounting standard changes that would have a significant effect on the Company's results and operations.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2021

The Company has adopted new amendments to the following accounting standards effective for its interim and annual consolidated financial statements commencing September 1, 2020. The effects of these pronouncements on the Company's results and operations are described below.

IFRS 3 – Business Combinations ("IFRS 3")

In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The Company will apply the standard prospectively from September 1, 2020. The effects, if any, of the amended standard on the Company's financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

CONTROLS AND PROCEDURES

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred in the first quarter ended November 30, 2020 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.