

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and nine months ended May 31, 2021 is prepared as at June 28, 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 third quarter of fiscal 2021 of \$403.0 million increased 15% from \$349.0 million in the prior year. On a consolidated basis, advertising revenues increased 23%, subscriber revenues were up 2%, while merchandising, distribution and other revenues were up 20% compared to the prior year. The increase in advertising revenues was attributable to the rebound over pandemic driven lows of the prior year. Revenues were up 15% in Television and increased in Radio by 31%, compared to the prior year.

For the nine months ended May 31, 2021, consolidated revenues of \$1,182.2 million decreased 1% from \$1,192.8 million in the prior year. On a consolidated basis, advertising revenues decreased 3%, while subscriber revenues were up 1% and merchandising, distribution and other revenues increased by 13% from the prior year. Revenues were consistent with the prior year in Television and decreased 14% in Radio.

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 third quarter of fiscal 2021 of \$272.3 million increased 15% from \$237.7 million in the prior year. On a consolidated basis, direct cost of sales increased 8%, and employee costs increased 42% from the prior year, while general and administrative expenses decreased 3%. The increase in direct cost of sales arises from increases in amortization of program rights and other cost of sales in the quarter, partially offset by decreases in amortization of film assets in the quarter. The increase in employee costs was primarily due to higher share-based compensation expense, short-term compensation accruals, reduced estimated Canadian Emergency Wage Subsidy ("CEWS") benefits of approximately \$4.4 million (2020 – \$17.4 million) and higher commission costs in the quarter. Other general and administrative expenses were lower as a result of relief on Part II Canadian Radio-television and Telecommunications Commission ("CRTC") fees, reductions of estimated credit losses, lower fees and licenses, as well as telephone, data and transmission costs, offset by increases in advertising and marketing costs principally for STACKTV and selected programs on specialty networks and, to a lesser extent, increased legal and insurance costs.

For the nine months ended May 31, 2021, direct cost of sales, general and administrative expenses of \$760.3 million were down 3% from \$781.5 million in the prior year. On a consolidated basis, direct cost of sales decreased 4%, other general and administrative costs decreased 20% from the prior year, while employee costs increased 10%. The decrease in direct cost of sales was driven principally by the decreases in amortization of program rights and film investments. The increase in employee costs was primarily attributable to higher share-based compensation expense, short-term compensation accruals and reduced estimated CEWS benefits of approximately \$12.6 million (2020 – \$17.5 million), as well as increased commission costs. Other general and administrative expenses decreased principally from relief on Part I and Part II CRTC fees of \$8.8 million, lower trade mark fees and lower tariff royalties that are positively correlated with revenues, as well as lower discretionary costs such as advertising, marketing, travel and entertainment, consulting and professional fees, reductions in estimated credit losses, and telephone, data, and transmission costs.

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

SEGMENT PROFIT

Consolidated segment profit for the third quarter of fiscal 2021 was \$130.7 million, which was up 17% from \$111.3 million in the prior year. Segment profit margin for the third quarter of fiscal 2021 of 32% was consistent with the prior year.

For the nine months ended May 31, 2021, consolidated segment profit was \$421.9 million, which was up 3% from \$411.3 million in the prior year. Segment profit margin of 36% for the nine months ended May 31, 2021 was up from 34% 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 May 31, 2021 was \$38.1 million, a decrease from \$39.5 million in the prior year. The decrease in the quarter was a result of decreases in amortization of capital assets of \$1.5 million and other intangible assets of \$0.3 million, offset by an increase in amortization of brands of \$0.4 million.

Depreciation and amortization expense for the nine months ended May 31, 2021 was \$114.4 million, a decrease from \$119.8 million in the prior year. The decrease for the nine months resulted from lower amortization of capital assets of \$3.4 million, brands of \$1.6 million and other intangible assets of \$0.3 million.

INTEREST EXPENSE

Interest expense for the three months ended May 31, 2021 was \$26.8 million, down from \$29.4 million in the prior year. On May 11, 2021, the Company issued \$500.0 million in Senior Unsecured Notes due 2028 (the "Notes") that pay interest at 5.0%. The Company used the net proceeds of the Notes issuance to repay bank debt. The decrease in interest expense in the quarter results primarily from lower interest on long-term debt of \$1.2 million and lower imputed interest of \$2.9 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, offset by \$1.6 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled in November 2017. The reduction in interest on long-term debt is due to lower bank debt levels, offset by accrued interest on the Notes.

Effective May 31, 2021, the Company's credit facility with a syndicate of banks was amended. The principal amendments were to reduce the Term Facility to one tranche in the amount of \$923.7 million and to extend the maturity dates on both the Term Facility and Revolving Facility to May 31, 2025.

Interest expense for the nine months ended May 31, 2021 was \$75.9 million, down from \$88.0 million in the prior year. The decrease results from lower interest on long-term debt of \$7.0 million, lower imputed interest of \$7.0 million on long-term liabilities associated with program rights, trade marks and right-of-use assets, offset by \$2.0 million lower amortization of a deferred gain from other comprehensive income on interest rate swaps settled in November 2017. Interest on long-term debt is lower due to lower bank debt levels, partially offset by accrued interest on the Notes.

The effective interest rate on bank loans and Notes for both the three and nine months ended May 31, 2021 was 4.1% and 4.0%, respectively compared to 4.1% in both of the comparable periods of the prior year.

BROADCAST LICENCES 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 2020, management identified indicators of impairment at the enterprise level, notably a significant decline in the Company's share price from August 31, 2019, 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 non-cash goodwill impairment charges of \$673.0 million and \$46.0 million in the Television and Radio operating segments, respectively, in the third quarter of fiscal 2020.

In addition, the pervasive economic impact of COVID-19 on Radio revenues meant that certain Radio markets had actual results and revised financial projections that fell well short of previous estimates, indicating that interim broadcast licence impairment testing was also required. As a result of these tests, the Company recorded non-cash broadcast licence impairment charges of \$67.8 million in the Radio segment in the third quarter of fiscal 2020.

DEBT REFINANCING

On May 11, 2021, the Company issued \$500.0 million in Notes due May 11, 2028. The Company used the net proceeds of the Notes issue to repay \$490.7 million of its bank debt. Effective May 31, 2021, the Company amended its credit agreement. These transactions resulted in a non-cash write offs of unamortized debt financing fees of \$3.5 million and \$1.5 million related to the ineffective portion of an interest rate swap designated as a cash flow hedge on long-term debt, offset by a gain on debt modification of \$1.6 million. Further information about debt refinancing can be found in the *Liquidity* section of this report, under the subheading *Contractual Commitments and Derivative Financial Instruments*.

INTEGRATION, RESTRUCTURING AND OTHER COSTS

For the three and nine months ended May 31, 2021, the Company incurred \$1.6 million and \$8.9 million, respectively, of integration, restructuring and other costs, compared to \$2.6 million and \$15.2 million in the comparable periods of the prior year. The current fiscal year costs relate to restructuring costs associated with employee exits, as well as certain costs associated with the shut-down of the BBC Canada channel, continued transmitter decommissioning and system integration costs. The prior year costs relate to restructuring costs associated with employee exits, as well as certain costs associated with the shut-down of the FYI channel, transmitter decommissioning costs and system integration costs. These charges are excluded from the determination of segment profit.

OTHER EXPENSE (INCOME), NET

Other income for the three month period ended May 31, 2021 was \$4.8 million, compared to other expense of \$10.3 million in the prior year. The current year period includes a foreign exchange gain of \$3.9 million primarily reflecting translation of USD denominated payables and other income of \$0.9 million consisting of rental income, gains on property sales and miscellaneous interest income. In the prior year, a foreign exchange loss of \$10.7 million was offset by miscellaneous other income of \$0.5 million.

Other income for the nine months ended May 31, 2021 was \$11.6 million compared to other expense of \$13.6 million in the prior year. In the current year, other income includes foreign exchange gains of \$9.3 million, income of \$2.3 million from rental income, gains relating to net insurance proceeds received, gains on property sales and miscellaneous interest income. In the prior year, other expense includes foreign exchange losses of \$16.1 million, offset by income of \$2.4 million from rental income and miscellaneous interest income. Further discussion of the foreign exchange forward contracts can be found in the *Liquidity and Capital Resources* section of this report under the heading *Derivative Financial Instruments*.

INCOME TAX EXPENSE

The Company's effective income tax rates for the three and nine months ended May 31, 2021 were 26.3% and 26.1%, respectively, slightly below the Company's statutory income tax rates of 26.5%. The effective income tax rates for the three and nine months ended May 31, 2020 was a recovery of 1.2% and expense of 4.8%, respectively. The significant difference between the statutory rates and effective tax rates resulted from the impairment recorded on goodwill in the television and radio operating segments in the third quarter.

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

Net income attributable to shareholders for the third quarter of fiscal 2021 was \$40.7 million (\$0.20 per share basic), as compared to a net loss attributable to shareholders of \$752.3 million (\$3.61 loss per share basic) in the prior year. Net income attributable to shareholders for the third quarter of fiscal 2021 includes integration, restructuring and other costs of \$1.6 million (\$nil per share) and debt refinancing costs of \$3.4 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$44.3 million (\$0.21 per share basic) in the quarter. Net loss attributable to shareholders for the third quarter of fiscal 2020 includes a broadcast licence and goodwill impairment of \$786.8 million (\$3.69 per share) and integration, restructuring and other costs of \$2.6 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$19.0 million (\$0.09 per share basic) in the prior year quarter.

Net income attributable to shareholders for the nine months ended May 31, 2021 was \$152.6 million (\$0.73 per share basic), as compared to a net loss attributable to shareholders of \$655.6 million (\$3.12 loss per share basic) in the prior year. Net income attributable to shareholders for the nine months ended May 31, 2021 includes integration, restructuring and other costs of \$8.9 million (\$0.03 per share) and debt refinancing costs of \$3.4 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$161.7 million (\$0.77 per share basic) for the nine months ended May 31, 2021 of the current fiscal year. Net loss attributable to shareholders for the nine months ended May 31, 2020 includes a broadcast licence and goodwill impairment of \$786.8 million (\$3.66 per share) and integration, restructuring and other costs of \$15.2 million (\$0.05 per share basic). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$124.9 million (\$0.59 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for both the three and nine months ended May 31, 2021 was 208,367,000, compared to 208,663,000 and 210,239,000, respectively, for the comparable periods in the prior year. The average number of shares outstanding in the current year decreased as a result of the purchase and cancellation of Class B Non-Voting Participating Shares under the Company's normal course issuer bid ("NCIB"), which took place between November 2019 and April 2020.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAXES

Other comprehensive income for the three months ended May 31, 2021 was \$25.5 million, compared to \$1.3 million in the prior year. For the three months ended May 31, 2021, other comprehensive income includes an unrealized gain from the change in the fair value of financial assets of \$18.1 million, an unrealized gain on the change on the fair value of cash flow hedges of \$4.6 million, net of \$1.1 million (\$1.5 million before tax) that was reclassified to income as a result of a portion of the hedge being ineffective and an actuarial gain on the remeasurement of post-employment benefit plans of \$4.1 million, offset by an unrealized loss from foreign currency translation adjustments of \$1.3 million. In the prior year, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$21.8 million and an unrealized gain from foreign currency translation adjustments of \$0.7 million, offset by an unrealized loss on the fair value of

cash flow hedges of \$13.7 million and an unrealized loss on the change in fair value of financial assets of \$7.5 million.

Other comprehensive income for the nine months ended May 31, 2021 was \$38.3 million, compared to a loss of \$3.9 million in the prior year. For the nine months ended May 31, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$13.9 million, and unrealized gain on the fair value of financial assets of \$16.5 million, an unrealized gain on the fair value of cash flow hedges of \$9.6 million, offset by an unrealized loss from foreign currency translation adjustments of \$1.7 million. The prior year other comprehensive loss includes an unrealized loss on the fair value of cash flow hedges of \$17.9 million and an unrealized loss on the fair value of financial assets of \$0.9 million, offset by an actuarial gain on the remeasurement of post-employment benefit plans of \$14.0 million and an unrealized gain from foreign currency translation adjustments of \$0.8 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 media 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

	Three months ended		Nine months ended	
		May 31,		May 31,
(thousands of Canadian dollars)	2021	2020	2021	2020
Revenues				
Advertising	233,181	191,437	665,260	676,883
Subscriber fees	124,402	121,500	372,314	368,919
Merchandising, distribution and other	22,239	18,385	72,869	63,314
Total revenues	379,822	331,322	1,110,443	1,109,116
Expenses	239,810	215,484	671,310	699,188
Segment profit ⁽¹⁾	140,012	115,838	439,133	409,928
Segment profit margin ⁽¹⁾	37%	35%	40%	37%

⁽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 for the third quarter of fiscal 2021 increased 15% from the prior year as a result of an increase of 22% in advertising revenues, a 2% increase in subscriber revenues and an increase of 21% in merchandising, distribution and other revenues. Television advertising revenues have begun to rebound from the lows experienced in the third quarter of fiscal 2020 as a result of higher demand, but a more robust recovery was muted by continued COVID-19 restrictions throughout Canada. The growth in subscriber revenues was attributable to growth on STACKTV, Nick+ and other streaming services, which offset lower subscribers in the traditional system and the shut-down of BBC Canada (December 2020). The increase in merchandising, distribution and other revenues were primarily driven by Nelvana merchandise licensing, Toon Boom Animation software licensing and book publishing sales, partially offset by a decline in Nelvana and Corus Studios content licensing compared to the prior year.

Revenues for the nine months ended May 31, 2021 were consistent with the prior year as a result of a 2% decline in advertising revenues, offset by growth of 1% in subscriber revenues, and a 15% increase in merchandising, distribution and other revenues. The decrease in advertising revenues was driven primarily by the impact of the COVID-19 pandemic when compared to the prior year, while subscriber revenues benefited from growth on STACKTV and Nick+ as well as retroactive adjustments that offset lower subscribers in the traditional system. Increases in merchandising, distribution and other revenues were driven by Corus Studios content licensing and software licensing sales, partially offset by a decline in Nelvana content and merchandise licensing sales compared to the prior year.

Expenses in the third quarter of fiscal 2021 were up 11% from the prior year. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) increased 8% from the prior year, while general and administrative expenses were up 17% from the prior year. Amortization of program rights

increased 6% from the prior year and other cost of sales increased by 80% (\$3.4 million), offset by a decrease in film investment amortization of 11% (\$0.4 million). The increase in amortization of program rights was driven predominantly by higher program deliveries delayed from the fall and winter schedules. The increase in other cost of sales was principally a result of increased costs associated with certain sales initiatives. Amortization of film investments decreased principally as a result of production cost true ups for completed productions. Employee costs increased 29% primarily due to reduced estimated CEWS benefits of \$3.9 million for the quarter (2020 – \$13.5 million), increased commission costs and short-term compensation accruals. Other general and administrative expenses were flat to the prior year as higher marketing costs for STACKTV and Nick+ services to drive subscriptions, were offset by relief on CRTC Part II fees, a reduction in the provision for estimated credit losses, lower maintenance costs, and the continued suspension of most discretionary spending on travel and entertainment.

Expenses for the nine months ended May 31, 2021 were down 4% from the prior year as a result of a decrease of 3% in direct cost of sales and a 5% decrease in general and administrative expenses. The decrease in direct cost of sales is driven by lower amortization of program rights and film investments amortization, offset by higher other costs associated with certain sales initiatives. Employee costs increased 4% primarily due to the reduced estimated CEWS benefits of \$10.0 million for the period (2020 – \$13.5 million), increased short-term compensation accruals and increased pension expenses. Other general and administrative expenses were down 18% from the prior year from relief on CRTC Part I and Part II fees along with reductions in tariffs and trade marks that are positively correlated with revenues, as well as curtailment of spending on travel and entertainment, advertising and marketing, a reduction in the provision for estimated credit losses, lower maintenance, transmission and distribution costs.

Segment profit⁽¹⁾ was up 21% for the third quarter of fiscal 2021 and 7% for the nine months ended May 31, 2021. The increase for the quarter was a result of increases in revenues outpacing increases in direct cost of sales and general and administrative expenses, while the year-to-date direct cost of sales and general and administrative expenses decreased as revenues remained consistent with the prior year. Segment profit margin⁽¹⁾ for the three and nine months ended May 31, 2021 was 37% and 40%, respectively, up from the prior year of 35% and 37% in the comparable periods.

⁽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

	Three months ended		Nine months ended	
	2021	May 31, 2020	2021	May 31, 2020
(thousands of Canadian dollars)				
Revenues	23,177	17,645	71,785	83,724
Expenses	21,892	19,421	61,950	68,896
Segment profit ⁽¹⁾	1,285	(1,776)	9,835	14,828
Segment profit margin ⁽¹⁾	6%	-10%	14%	18%

⁽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 increased 31% in the three months ended May 31, 2021, but decreased 14% for the nine months ended May 31, 2021. Radio advertising revenues have begun to rebound from the lows experienced in the third quarter of fiscal 2020, but a more robust recovery was muted by continued COVID-19 restrictions throughout Canada. Supply chain issues in the automotive sector and hardware/renovation sectors continue to hamper a robust advertising recovery in these categories, while increasing home prices in the real estate market continue to suppress the need for advertising in the financial services category. Businesses in the travel and entertainment categories, as well as professional services have begun to show growth from the prior year, as advertising by federal and provincial governments starts to ramp down.

Direct cost of sales and general and administrative expenses increased 13% in the third quarter, but were down 10% for the nine months ended May 31, 2021. The increase in the quarter was primarily due to reduced estimated CEWS benefits of \$0.6 million for the quarter (2020 – \$2.7 million), increased sports rights costs due to the shift

of the NHL season and to a lesser extent advertising and promotions, offset by reductions over prior year of estimated credit losses. The decrease in the nine months ended May 31, 2021 is attributable to reductions on tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenues, relief on Part I and Part II CRTC fees, suspension of most discretionary spending on travel, entertainment, advertising and promotions, as well as decreased sports rights costs, and reductions over the prior year of estimated for credit losses, offset by reduced CEWS benefits of \$1.7 million for the period (2020 – \$2.7 million).

Radio's segment profit⁽¹⁾ increased by \$3.1 million in the third quarter of fiscal 2021, and declined \$5.0 million for the nine months ended May 31, 2021. Segment profit margin⁽¹⁾ for the third quarter of 6% was up from negative 10% in the prior year. Segment profit margin⁽¹⁾ for the nine months ended May 31, 2021 was 14% compared to 18% in the prior year.

⁽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		Nine months ended	
	May 31,		May 31,	
(thousands of Canadian dollars)	2021	2020	2021	2020
Share-based compensation	6,400	134	14,422	2,933
Other general and administrative costs	4,226	2,615	12,628	10,486
	10,626	2,749	27,050	13,419

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 for the three and nine months ended May 31, 2021 by \$6.3 million and \$11.5 million, respectively. These increases are 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 4 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs increased \$1.6 million in the quarter and \$2.1 million for the nine months ended May 31, 2021. The increases in both three and nine months ended May 31, 2021 are principally due to reduced estimated CEWS benefits (2021 – Q3: nil; YTD: \$0.9 million; 2020 – Q3 & YTD: \$1.1 million), increased short-term compensation accruals, facilities, maintenance and COVID-19 related costs, partially offset by decreases in travel, entertainment, consulting, and professional fees.

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 may continue to deviate from historical seasonal patterns. In fiscal 2021, the first and third quarters are higher than the second quarter; the same pattern is observable in segment profit for fiscal 2021. 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 of cash used by operations. The implementation of IFRS 16 did not have any impact on lease economics or lease cash flows. The 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 May 31, 2021. 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										
3rd quarter	402,999	130,671	40,666	44,324	\$ 0.20	\$ 0.19	\$ 0.21		64,702	
2nd quarter	358,874	112,640	35,300	37,496	\$ 0.17	\$ 0.17	\$ 0.18		89,690	
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	

⁽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 third quarter of fiscal 2021 was negatively impacted by debt refinancing costs of \$3.4 million (\$0.01 per share) and integration, restructuring and other costs of \$1.6 million (\$nil per share).
- Net income attributable to shareholders for the second quarter of fiscal 2021 was negatively impacted by integration, restructuring and other costs of \$3.0 million (\$0.01 per share).
- 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 licence 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).

FINANCIAL POSITION

Total assets at May 31, 2021 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 May 31, 2021 were \$484.0 million, up \$123.4 million from August 31, 2020.

Cash and cash equivalents increased by \$38.2 million from August 31, 2020. Refer to the discussion of cash flows in the next section.

Accounts receivable increased \$75.6 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 COVID-19 pandemic 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 \$5.7 million from August 31, 2020 as a result of accruals relating to film productions exceeding tax credit receipts.

Investments and other assets increased \$30.9 million from August 31, 2020, as a result fair value measurement gains on investments in venture funds and an increase in the net asset position of certain post employment benefits, offset by a decrease in unrealized gains related to forward foreign exchange contracts that are in a liability position at the end of the period.

Property, plant and equipment decreased \$20.9 million from August 31, 2020 as a result of depreciation expense exceeding additions.

Program rights decreased \$48.2 million from August 31, 2020, as additions of acquired rights of \$329.5 million were offset by amortization of \$375.1 million and the \$2.6 million write-off of certain program rights related to the BBC Canada channel shut-down on December 31, 2020.

Film investments decreased \$4.9 million from August 31, 2020, as film additions (net of tax credit accruals) of \$5.0 million were offset by film amortization of \$9.9 million.

Intangibles decreased \$75.3 million from August 31, 2020, primarily as a result of amortization of finite life intangibles exceeding additions, while goodwill remained unchanged from August 31, 2020.

Accounts payable and accrued liabilities increased \$79.8 million from August 31, 2020, principally as a result of higher trade accounts payable, program rights payable, short-term compensation accruals, unremitted sales taxes, and other accrued liabilities, which include other working capital accruals, and unearned revenues, offset by decreases to trade marks payable and capital asset purchases.

Provisions, including the long-term portion, at May 31, 2021 of \$16.6 million decreased \$1.5 million from August 31, 2020 principally as a result of restructuring related payments exceeding additions.

Long-term debt, including the current portion, as at May 31, 2021 was \$1,396.8 million compared to \$1,506.1 million as at August 31, 2020. As at May 31, 2021, the \$46.2 million classified as the current portion of bank debt reflects mandatory repayments in the following 12 months. During the nine months ended May 31, 2021, the Company repaid bank debt of \$602.2 million, issued Notes of \$500.0 million, added deferred fees of \$12.1 million related to the issuance of the Notes, wrote off \$3.5 million of previously deferred fees, as well as recognized a financing gain of \$1.6 million, both related to bank debt amendments, and amortized \$3.1 million of deferred

financing charges.

Other long-term liabilities decreased \$111.2 million from August 31, 2020, primarily from decreases in long-term program rights payable, long-term liabilities related to trade marks, merchandising and other intangible rights, adjustments to the fair value of interest rate swap and foreign exchange forward derivatives, as well as decreases in employee obligations, leases, unearned revenues, and software licenses.

Share capital remained unchanged from August 31, 2020. Contributed surplus increased by \$0.8 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 \$24.9 million in the third quarter of fiscal 2021 and \$38.2 million in the nine months ended May 31, 2021. Free cash flow for the three and nine months ended May 31, 2021 was \$64.7 million and \$216.8 million, respectively, compared to \$90.8 million and \$208.9 million, in the same comparable periods of the prior year. The decrease in free cash flow in the third quarter is principally attributable to the deferral of corporate income tax installments in the prior year, which resulted in a year-over-year increase in cash income taxes of \$22.0 million, along with higher payments for program rights and a lower working capital contribution. Free cash flow for the nine months ended May 31, 2021, was positively impacted by CEWS receipts of \$33.0 million, offset by the payment of deferred corporate income tax installments from fiscal 2020 of \$17.2 million that are both reflected in the net change in non-cash working capital balances related to the operations line item within operating activities in the consolidated statements of cash flows. 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 and nine months ended May 31, 2021 was \$67.3 million and \$224.4 million, respectively, compared to \$95.9 million and \$219.1 million, in the comparable periods in the prior year. The decrease in the current quarter of \$28.5 million arises principally from lower cash provided by the net change in non-cash working capital of \$40.1 million, partially offset by an increase in cash flow from operations of \$11.5 million, which includes lower spend on film investments of \$8.5 million, but higher spend on program rights of \$31.6 million. The increase for the nine months ended May 31, 2021 in the cash provided by operating activities of \$5.3 million arises from an increase in cash flow from operations of \$70.5 million, which includes lower spending on program rights of \$33.2 million and film investments of \$24.7 million, offset by higher cash used in working capital of \$65.2 million.

Cash used in investing activities for the three and nine months ended May 31, 2021 was \$2.6 million and \$8.4 million, respectively, compared to \$5.8 million and \$12.0 million, in the comparable periods of the prior year. In the current fiscal year, the Company had additions to property, plant, equipment of \$6.2 million, and net cash outflows of \$2.5 million for intangibles, investments and other assets. The prior year includes additions of property, plant, equipment of \$10.1 million and net cash outflows of \$2.2 million for intangibles, investments and other assets.

Cash used in financing activities in the three and nine months ended May 31, 2021 was \$39.9 million and \$177.8 million, respectively, compared to \$68.9 million and \$210.0 million in the comparable periods of the prior year. In the current year, the Company issued Notes of \$500.0 million, paid \$12.1 million in deferred financing fees, paid down bank debt by \$602.2 million, returned capital of \$1.6 million to a non-controlling interest related to the wind up of Cosmopolitan TV, paid dividends of \$49.0 million to shareholders and non-controlling interests, made payments related to right-of-use leases of \$12.1 million and software licenses of \$2.9 million, offset by equity funding received from a non-controlling interest of \$2.1 million. In the prior year, the Company repaid bank debt of \$130.7 million, repurchased shares for \$16.9 million, made payments related to right-of-use leases of \$12.1 million, paid dividends of \$52.6 million, and made payments on software licenses of \$3.2 million, offset by equity funding received from a non-controlling interest of \$5.4 million.

LIQUIDITY

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and 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. In the second quarter of fiscal 2021, the Company changed its stated long-term objectives to a leverage target (net debt to segment profit ratio) below 2.5 times and to maintain a dividend yield in excess of 2.5%. In the short term, the Company may permit the long-term leverage range to be exceeded (for long-term investment opportunities), but endeavours to return to the leverage target range as the Company believes that these objectives provide a reasonable framework for providing a return to shareholders and is supportive of maintaining the Company's credit ratings.

As at May 31, 2021, the Company had a net cash balance of \$84.1 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 effective May 31, 2021, refer to note 4 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at May 31, 2021, total capitalization was \$2,668.4 million compared to \$2,657.2 million at August 31, 2020, an increase of \$11.2 million. The increase in total capitalization is principally related to the decrease in accumulated deficit of \$129.7 million, offset by lower bank debt of \$109.3 million and higher cash of \$38.2 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 May 11, 2021, the Company issued \$500.0 million principal amount of 5.0% Senior Unsecured Notes (the "Notes"). Interest on the Notes is payable semi-annually in arrears in equal installments on May 11 and November 11 of each year, commencing on November 11, 2021. The Company used the net proceeds therefrom to repay amounts under the Term Facility.

Effective May 31, 2021 the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendment effected combined the Term Facility tranches into one and extended the maturity dates for the Term Facility and Revolving Facility to May 31, 2025.

The transactions noted above resulted in the Company recording net debt refinancing costs of \$3.4 million in the third quarter of fiscal 2021, which included non-cash write-offs of unamortized deferred financing fees and prior refinancing gains of \$3.5 million, the recognition of the ineffective portion of interest rate swaps of \$1.5 million, offset by the refinancing gain on the modification of the Credit Facility of \$1.6 million.

The Company has total return swap agreements on 3,197,500 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the company does not anticipate any non-performance. The estimated fair value of these agreements as at May 31, 2021 is an asset of \$4.9 million.

On November 11, 2020 and December 10, 2020, the Company entered into two additional series of foreign exchange forward contracts totalling \$120.0 million U.S. dollars, bringing the total remaining foreign exchange forward contracts to \$145.1 million U.S. dollars. All foreign exchange forward contracts fix the foreign exchange rate and cash flows related to a portion of the Company's U.S. dollar denominated liabilities. The estimated fair value of these agreements as at May 31, 2021 is a liability of \$10.6 million.

The Company has the following remaining undiscounted contractual obligations related to forward currency contracts as at May 31, 2021:

(thousands of dollars)	Total	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years
Contractual CDN cash outflows	186,421	65,717	91,505	29,199	—
Contractual USD cash inflows	145,100	51,600	71,000	22,500	—

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		Nine months ended	
		May 31,		May 31,
(thousands of Canadian dollars)	2021	2020	2021	2020
Cash provided by (used in):				
Operating activities	67,313	95,859	224,402	219,074
Investing activities	(2,562)	(5,789)	(8,377)	(12,010)
	64,751	90,070	216,025	207,064
Add (Deduct): cash used in (provided by) business acquisitions and strategic investments ⁽¹⁾	(49)	703	741	1,830
Free cash flow	64,702	90,773	216,766	208,894

⁽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		Nine months ended	
	May 31,		May 31,	
(thousands of Canadian dollars, except per share amounts)	2021	2020	2021	2020
Net income (loss) attributable to shareholders	40,666	(752,280)	152,630	(655,640)
Adjustments, net of income tax:				
Broadcast licences and goodwill impairment	—	769,338	—	769,338
Debt refinancing	2,511	—	2,511	—
Integration, restructuring and other costs	1,147	1,938	6,530	11,178
Adjusted net income attributable to shareholders	44,324	18,996	161,671	124,876
Basic earnings (loss) per share	\$0.20	(\$3.61)	\$0.73	(\$3.12)
Adjustments, net of income tax:				
Broadcast licences and goodwill impairment	—	\$3.69	—	\$3.66
Debt refinancing	\$0.01	—	\$0.01	—
Integration, restructuring and other costs	—	\$0.01	\$0.03	\$0.05
Adjusted basic earnings per share	\$0.21	\$0.09	\$0.77	\$0.59

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.

	As at May 31, 2021	As at August 31, 2020
(thousands of Canadian dollars)		
Total debt, net of unamortized financing fees	1,396,765	1,506,089
Lease liabilities	145,988	148,580
Cash and cash equivalents	(84,118)	(45,900)
Net debt	1,458,635	1,608,769
Net debt (numerator)	1,458,635	1,608,769
Segment profit (denominator) ⁽¹⁾	516,420	505,839
Net debt to segment profit	2.82	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

All provinces and territories continue to expand mass vaccination programs at an accelerated pace to inoculate Canadians against COVID-19, with approximately 75% of adult Canadians having received at least one dose as of June 28, 2021. Current government forecasts indicate that all Canadians who want to be, will be fully immunized before the end of September 2021. Many provinces and territories had begun to ease restrictions as infection rates decline considerably, but continue to closely monitor COVID-19 variants of concern that are more transmissible and carry increased health risks, which may lead to the reintroduction of emergency measures to counter any resurgence of COVID-19 cases. Disruptions caused by the imposition of these emergency measures continue to negatively impact advertising revenues. There can be no certainty that inoculations will

continue to 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 has passed third reading in the House of Commons and is currently with the Senate for approval. 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 as the bill and related changes could adversely affect the Company's results of operations and financial performance.

Digital Charter Implementation 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 currently remains at the second reading stage in the House of Commons and has not yet been referred to a House of Commons committee for further review. 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. A listing of the recent accounting pronouncements promulgated by the IASB and not yet adopted by the Company is included in note 3 in the Company's August 31, 2020 consolidated financial statements and note 3 in the Company's May 31, 2021 interim condensed consolidated financial statements.

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 third quarter ended May 31, 2021 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.