report to shareholders

Second Quarter 2022

For the Three and Six Months Ended February 28, 2022
(Unaudited)

corus.

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FINANCIAL HIGHLIGHTS

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

(in thousands of Canadian dollars except per share amounts)	Three months ended		Six months ended	
	February 28,		February 28,	
	2022	2021	**2022**	2021
Revenue				
Television	**339,661**	338,519	**774,408**	730,621
Radio	**22,000**	20,355	**51,126**	48,608
	361,661	358,874	**825,534**	779,229
Segment profit (loss) [(1)]				
Television [(2) (3)]	**92,723**	119,556	**271,609**	299,121
Radio [(2) (3)]	**125**	1,409	**5,871**	8,550
Corporate [(2)]	**(6,292)**	(8,325)	**(13,754)**	(16,424)
	86,556	112,640	**263,726**	291,247
Segment profit margin [(1)]				
Television	**27%**	35%	**35%**	41%
Radio	**1%**	7%	**11%**	18%
Consolidated	**24%**	31%	**32%**	37%
Net income attributable to shareholders	**16,221**	35,300	**92,386**	111,964
Basic earnings per share	**$0.08**	$0.17	**$0.44**	$0.54
Diluted earnings per share	**$0.08**	$0.17	**$0.44**	$0.54
Free cash flow [(1)]	**88,417**	89,690	**168,404**	152,064

[(1)] In addition to disclosing results in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Company also provides supplementary non-IFRS measures as a method of evaluating the Company's performance and to provide a better understanding of how management views the Company's performance. These non-IFRS or non-GAAP measures include: segment profit (loss), segment profit margin, free cash flow, net debt to segment profit, optimized advertising revenue and new platform revenue. These are not measurements in accordance with IFRS and should not be considered as an alternative to any other measure of performance under IFRS. Please see additional discussion and reconciliations under the Key Performance Indicators section of the Company's Second Quarter 2022 Report to Shareholders.

[(2)] No claims for the Canada Emergency Wage Subsidy ("CEWS") have been made in fiscal 2022. In the prior year, segment profit for the quarter included $4.4 million (Television: $3.6 million; Radio: $0.7 million; Corporate: $0.1 million) and $8.2 million year-to-date (Television: $6.1 million; Radio: $1.1 million; Corporate: $1.0 million) of CEWS.

[(3)] In the prior year, segment profit included relief on regulatory fees. As a result, CRTC part I and II fees have increased by $7.8 million (Television: $7.1 million; Radio: $0.7 million) in the quarter and by $8.4 million year-to-date (Television: $7.7 million; Radio: $0.7 million) compared to the same prior year periods.

BUSINESS HIGHLIGHTS

Build a Content Powerhouse

- On January 13, 2022, the Company's Corus Studios announced multiple international licensing sales comprising 250+ hours of content to broadcasters in Germany, Poland, France, the UK and French Canada.
- On February 1, 2022, the Company announced the purchase of a majority interest in Academy Award® and Emmy Award® nominated production company Aircraft Pictures Limited, founded by Anthony Leo and Andrew Rosen.
- On April 7, 2022, the Company's Corus Studios announced its largest U.S. output deal ever with streaming platform Hulu. This new multi-year agreement consists of over 400 episodes of lifestyle, renovation, unscripted and crime content from Corus Studios, building on the previously announced sale to Hulu of 200+ episodes last year.

Connect with Audiences

- On February 9, 2022, the Company announced the expansion of its premium, multi-channel streaming service STACKTV onto Rogers Ignite TV and Ignite SmartStream platforms. This marks the first time STACKTV is available as a stand-alone streaming channels bundle through a traditional distribution partner. Corus also highlighted the addition of Lifetime to its suite of networks on STACKTV.
- On March 28, 2022, the Company exclusively debuted the Magnolia Network – Chip and Joanna Gaines' joint media venture with Discovery, Inc., becoming the first broadcaster outside of the U.S. to launch the channel. Magnolia Network replaces DIY Network Canada.
- As of April 4, 2022, the Company reached a new milestone of nearly 750,000 paying subscribers to its STACKTV, Nick+ and other streaming platforms, an increase from more than 725,000 paying subscribers as of January 10, 2022.

Operate with Discipline

- On January 20, 2022, the Company announced the voting results from the Annual Meeting of Shareholders (the "Meeting") held virtually via online webcast on January 19, 2022. All matters put forth at the Meeting including the election of directors, the appointment of auditors and authorization of directors to fix the remuneration of such auditors, were approved by a large majority of voting shareholders as detailed in the Company's filing on www.sedar.com.
- On February 28, 2022, the Company issued C$250.0 million principal amount of 6.0% Senior Unsecured Notes due February 28, 2030. The net proceeds therefrom were used to repay amounts under the Bank Term Credit Facility (the "Term Facility").
- Effective March 18, 2022, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and the bank revolving facility (the "Revolving Facility") to March 18, 2027, to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility.

Help Brands Grow

- On February 9, 2022, the Company's so.da agency announced its newest Twitter Originals Fueled by so.da custom content series with *OLG Game Plan*, an interactive digital sports betting show.
- On February 17, 2022, the Company's so.da announced a new, collaborative original content partnership with Snapchat in Canada. so.da agency will provide new and returning short form series and tailor-made content such as *Baking Therapy, Made You Look* and *Go Here Meet Her* for Snapchat's Discover.

Create a Great Place to Work

- On January 18, 2022, the Company was recognized as one of Greater Toronto Area's Top 100 Employers and one of Canada's Top 100 Employers for Young People by Mediacorp Canada Inc. and the Globe and Mail.
- The Company has helped raise $7.4 million for 565 community giving initiatives as well as provided over 247 volunteer hours to local organizations across Canada for the second quarter ended February 28, 2022.
- On March 8, 2022, the Company announced the appointment of two new independent members to its Board of Directors – Charmaine Crooks and Margaret O'Brien, effective March 7, 2022, bringing the Company's total board membership to 12.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three and six months ended February 28, 2022 is prepared as at April 7, 2022. 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, 2021 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 International Financial Reporting Standards ("IFRS") in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING 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"). This forward-looking information relates to, among other things, the Company's objectives, goals, strategies, targets, intentions, plans, estimates and outlook, including the adoption and anticipated impact of the Company's strategic plan, advertising and expectations of advertising trends for fiscal 2022, distribution, merchandise and subscription revenue, the Company's dividend policy and the payment of future dividends; the Company's leverage target; the Company's proposed share purchases, including the number of Class B non-voting shares to be repurchased under its normal course issuer bid, if any, and timing thereof; and expectations regarding financial performance, including capital allocation strategy and capital structure management, 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" or the negatives of these terms 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 as well as the competitive landscape in Canada and globally; changes to applicable tax, licensing and regulatory regimes; interest rates, stability of the advertising, distribution, merchandise and subscription markets; changes to key suppliers or clients; operating and capital costs and tariffs, taxes and fees, the Company's ability to source, produce or sell desirable content and the Company's capital and operating results being consistent with its 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: the Company's ability to attract and retain advertising revenue; the Company's ability to maintain relationships with key suppliers and clients and on anticipated financial terms and conditions; audience acceptance of the Company's television programs and cable networks; the Company's ability to recoup production costs; the availability of tax credits; the availability of expected news, production and related credits, programs and funding; the existence of co-production treaties; the Company's ability to compete in any of the industries in which we do business including with competitors which may not be regulated in the same way or to the same degree; the business and strategic opportunities (or lack thereof) that may be presented to and pursued by the Company; 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 including statements, decisions or positions by applicable regulators including, without limitation, the Canadian Radio-television and Telecommunications Commission ("CRTC"), Canadian Heritage and Innovation, Science and Economic Development Canada ("ISED"); changes to licensing status or conditions; unanticipated or un-mitigatable programming costs; the Company's ability to integrate and realize anticipated benefits from its acquisitions and to effectively manage its growth; the Company's ability to successfully defend itself against litigation matters arising out of the ordinary course of business; the Company's ability to continue to meet covenants under its senior credit facility, senior unsecured notes or other instruments or facilities; epidemics, pandemics or other public health and safety crises, including the current outbreak of novel coronavirus ("COVID-19") and ongoing pandemic conditions in Canada and globally; physical and operational changes to the Company's key facilities and infrastructure; cybersecurity threats or incidents to the Company or its key suppliers and vendors; 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, 2021 (the "2021 MD&A") and this document and under the heading "Risk Factors" in the Company's Annual Information Form for the year ended August 31, 2021 (the "AIF"). Corus cautions that the foregoing list of important assumptions and factors that may affect future results is not exhaustive. When relying on the Company's 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 and may be updated or amended from time to time. Except as 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 2021, we refer you to the Company's Annual Report for the year ended August 31, 2021, filed on SEDAR on December 9, 2021. Additional information relating to the Company, including the AIF, is available on SEDAR at www.sedar.com.

OVERVIEW OF CONSOLIDATED RESULTS

REVENUE

Revenue for the second quarter of fiscal 2022 of $361.7 million increased 1% from $358.9 million in the prior year's quarter. On a consolidated basis, advertising revenue was consistent with the prior year's quarter, subscriber revenue was up 7%, while merchandising, distribution and other revenue was down 21% compared to the prior year's quarter. Revenue was consistent with the prior year's quarter in Television and increased 8% in Radio.

For the six months ended February 28, 2022, consolidated revenue of $825.5 million increased 6% from $779.2 million in the prior year-to-date. On a consolidated basis, advertising revenue increased 8%, subscriber revenue was up 5%, while merchandising, distribution and other revenue decreased 12% from the prior year-to-date. Revenue increased 6% in Television and 5% in Radio from the prior year-to-date. Further analysis of revenue 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 second quarter of fiscal 2022 of $275.1 million increased 12% from $246.2 million in the prior year's quarter. On a consolidated basis, direct cost of sales increased 9%, employee costs increased 8% and general and administrative expenses increased 33%. The increase in direct cost of sales results from increases in amortization of program rights, higher costs associated with production service work, and to a lesser extent increases in amortization of film assets in the quarter. The increase in employee costs was primarily due to the impact of the Canada Emergency Wage Subsidy ("CEWS") benefits of $4.4 million in the second quarter of the prior year, higher salary and benefit costs, partially offset by decreases to share-based compensation expense and short-term compensation accruals. Other general and administrative expenses were higher as a result of increases in advertising and marketing costs principally for STACKTV and selected programs on specialty networks, the relief of CRTC Part I and II fees of $7.8 million in the prior year, higher tariff royalties and trade mark fees that are positively correlated with revenue, as well as increased professional fees, software and system license fees.

For the six months ended February 28, 2022, direct cost of sales, general and administrative expenses of $561.8 million increased 15% from $488.0 million in the prior year-to-date. On a consolidated basis, direct cost of sales increased 17%, other general and administrative costs increased 24% from the prior year, while employee costs increased 8%. The increase in direct cost of sales was driven principally by the increases in amortization of program rights and higher costs associated with production service work. The increase in employee costs was primarily attributable to the CEWS benefits of approximately $8.2 million in the prior year, higher salary and benefit costs and increased commission costs, partially offset by lower share-based compensation expense and short-term compensation accruals in the current year. Other general and administrative expenses increased as a result of relief provided in the prior year on Part I and Part II CRTC fees of $8.4 million, increased spend on advertising and marketing costs as well as travel and entertainment costs, higher trade mark fees and tariff royalties that are positively correlated with revenue, increased professional fees, consulting fees and software and system fees. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Segment profit for the second quarter of fiscal 2022 was $86.6 million, which was down 23% from $112.6 million in the prior year's quarter. The decrease in segment profit for the second quarter was principally a result of CEWS benefits and relief on CRTC fees in the prior year as discussed above, as well as an increase in amortization of program rights with the normalization of programming schedules in the current year. Segment profit margin for the second quarter of fiscal 2022 of 24% was down from 31% in the prior year's quarter.

For the six months ended February 28, 2022, segment profit was $263.7 million, which was down 9% from $291.2 million in the prior year-to-date. The decrease in segment profit for the year-to-date period was principally a result of CEWS benefits and relief on CRTC fees in the prior year and an increase in amortization of programming rights in the current year as previously discussed. Segment profit margin of 32% for the six months ended February 28, 2022 was down from 37% 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 February 28, 2022 was $39.7 million, an increase from $38.3 million in the prior year's quarter. The increase was a result of higher amortization of brands of $2.3 million, offset by decreases in amortization of capital assets of $0.4 million and other intangible assets of $0.4 million.

Depreciation and amortization expense for the six months ended February 28, 2022 was $77.1 million, an increase from $76.3 million in the prior year-to-date. The increase was a result of higher amortization of brands of $2.9 million, offset by lower amortization of capital assets of $1.4 million and other intangible assets of $0.7 million.

INTEREST EXPENSE

Interest expense for the three months ended February 28, 2022 of $25.8 million increased from $24.3 million in the prior year's quarter. On February 28, 2022, the Company issued $250.0 million in 6.0% Senior Unsecured Notes due 2030 (the "2030 Notes"). The Company used the net proceeds of the 2030 Notes issuance to repay bank debt. The increase in interest expense in the quarter is a result of higher imputed interest of $0.9 million on long-term liabilities associated with program rights, trade marks and right-of-use assets and by $1.4 million deferred gain amortization in the prior year's quarter, partially offset by lower interest on bank debt of $0.9 million in the current quarter.

Interest expense for the six months ended February 28, 2022 of $51.3 million increased from $49.1 million in the prior year. The increase is a result of higher imputed interest of $1.1 million on long-term liabilities associated with program rights, trade marks and right-of-use assets and $2.9 million deferred gain amortization in the prior comparable period, offset by lower interest on bank debt of $1.8 million in the current year-to-date. Interest on long-term debt is lower due to lower bank debt levels, partially offset by accrued interest on the 5.0% Senior Unsecured Notes of $500.0 million issued in fiscal 2021 (the "2028 Notes", together with the 2030 Notes collectively referred to hereafter as the "Notes").

The effective interest rate on bank loans and Notes for both the three and six months ended February 28, 2022 was 4.2% compared to 4.0% in both the comparable periods of the prior year. The increase in the effective rate for the quarter and year-to-date results from the issue of 2028 Notes, offset by lower overall rates on the bank loans resulting from a smaller portion thereof subject to fixed rate interest rate swaps.

On March 18, 2022, the Company's credit facility with a syndicate of banks was amended and restated. The principal amendments were to extend the maturity on both the senior secured term credit facility (the "Term Facility") and the senior secured revolving credit facility (the "Revolving Facility", together with the Term Facility collectively referred to hereafter as the "Credit Facility") to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments of the net proceeds from the issue of other debt on the Term Facility. Further information about debt refinancing can be found in the *Liquidity and Capital Resources* section of this report, under the subheading *Liquidity*.

RESTRUCTURING AND OTHER COSTS

For the three and six months ended February 28, 2022, the Company incurred $1.0 million and $2.1 million, respectively, of restructuring and other costs, compared to $3.0 million and $7.3 million in the comparable periods of the prior year.

The current fiscal year costs relate to system integration costs, as well as restructuring costs associated with employee exits. The prior year costs relate to employee restructuring costs, certain costs associated with the shut-down of the BBC Canada channel and system integration, as well as transmitter decommissioning costs.

OTHER INCOME, NET

Other income for the three month period ended February 28, 2022 was $5.9 million, compared to $6.3 million in the prior year's quarter. The current quarter includes a fair value gain on the Notes prepayment options of $5.0 million, a foreign exchange gain of $0.8 million primarily reflecting translation of USD denominated payables net of losses on foreign exchange forward contracts, and other income of $0.2 million consisting of rental income, miscellaneous interest income and net gains from the sale of assets associated with the decommissioning of certain transmitter sites. The prior year's quarter included a foreign exchange gain of $5.6 million and other income of $0.7 million.

Other income for the six months ended February 28, 2022 was $2.8 million compared to $6.9 million in the prior year. In the current year, other income includes a fair value gain on the Notes prepayment options of $5.0 million, $0.6 million from rental income, miscellaneous interest income and gains from asset sales, offset by net foreign exchange losses of $2.8 million. In the prior year, other income included net foreign exchange gains of $5.4 million, income of $1.5 million from rental income, gains related to net insurance proceeds received, the sale of property and miscellaneous interest income.

INCOME TAX EXPENSE

The Company's effective income tax rate for the three and six months ended February 28, 2022 was 23.2% and 25.8%, respectively, compared to 25.1% and 26.0% in the comparable prior periods. The difference of 3.3% between the statutory rate of 26.5% and effective tax rate in the current quarter results from changes in valuation allowances and income subject to tax at less than statutory rates.

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS AND EARNINGS PER SHARE

Net income attributable to shareholders for the second quarter of fiscal 2022 was $16.2 million ($0.08 per share basic), compared to $35.3 million ($0.17 per share basic) in the prior year's quarter. Net income attributable to shareholders for the second quarter of fiscal 2022 includes restructuring and other costs of $1.0 million ($nil per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $17.0 million ($0.08 per share basic) in the quarter. Net income attributable to shareholders for the second quarter of fiscal 2021 includes restructuring and other costs of $3.0 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $37.5 million ($0.18 per share basic) in the prior year quarter.

Net income attributable to shareholders for the six months ended February 28, 2022 was $92.4 million ($0.44 per share basic), compared to $112.0 million ($0.54 per share basic) in the same comparable period of the prior year. Net income attributable to shareholders for the six months ended February 28, 2022 includes restructuring and other costs of $2.1 million ($0.01 per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $93.9 million ($0.45 per share basic) for the current fiscal year-to-date. Net income attributable to shareholders for the six months ended February 28, 2021 includes restructuring and other costs of $7.3 million ($0.02 per share basic). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of $117.3 million ($0.56 per share basic) for the prior year-to-date period.

The weighted average number of basic shares outstanding for the three months and six months ended February 28, 2022 was 208,093,000 and 208,231,000, respectively, compared to 208,367,000 for both comparable periods in the prior year. The average number of shares outstanding in fiscal 2022 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 January 2022 and February 2022.

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES

Other comprehensive income for the three months ended February 28, 2022 was $1.5 million, compared to $7.7 million in the prior year's quarter. For the three months ended February 28, 2022, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $3.1 million and an unrealized gain on the change in the fair value of cash flow hedges of $1.5 million, offset by an unrealized loss from the change in the fair value of financial assets of $2.9 million and an unrealized loss from foreign currency translation adjustments of $0.2 million. In the prior year's quarter, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $6.3 million and an unrealized gain on the fair value of cash flow hedges of $3.6 million, offset by the amortization of a deferred gain on terminated interest rate swaps of $1.0 million, an unrealized loss on the change in fair value of financial assets of $0.8 million and an unrealized loss from foreign currency translation adjustments of $0.4 million.

Other comprehensive income for the six months ended February 28, 2022 was $16.7 million, compared to $12.8 million in the prior year. For the six months ended February 28, 2022, other comprehensive income includes an unrealized gain on the fair value of financial assets of $10.7 million, an unrealized gain on the fair value of cash flow hedges of $3.5 million and an actuarial gain on the remeasurement of post-employment benefit plans of $2.5 million. In the six months ended February 28, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of $9.7 million and an unrealized gain on the fair value of cash flow hedges of $7.1 million, offset by the amortization of a deferred gain on terminated interest rate swaps of $2.1 million, an unrealized loss on the fair value of financial assets of $1.6 million and an unrealized loss from foreign currency translation adjustments of $0.4 million.

BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 33 specialty television networks (34 services prior to December 31, 2020), 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. Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and the provision of technology and media services.

RADIO

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

CORPORATE

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

Management evaluates each segment's performance based on revenue less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements, except as described in note 3 to the interim condensed consolidated financial statements.

TELEVISION

FINANCIAL HIGHLIGHTS

	Three months ended February 28,		Six months ended February 28,	
(thousands of Canadian dollars)	**2022**	2021	**2022**	2021
Revenue				
Advertising	**184,695**	185,821	**469,732**	432,079
Subscriber	**132,823**	124,211	**260,358**	247,912
Merchandising, distribution and other	**22,143**	28,487	**44,318**	50,630
Total revenue	**339,661**	338,519	**774,408**	730,621
Expenses	**246,938**	218,963	**502,799**	431,500
Segment profit [(1)]	**92,723**	119,556	**271,609**	299,121
Segment profit margin[(1)]	**27%**	35%	**35%**	41%

[(1)] As defined in the "Key Performance Indicators" section of this report.

Revenue for the three months ended February 28, 2022 was consistent with the prior year's quarter as a result of a 7% increase in subscriber revenue, offset by decreases of 1% in advertising revenue and 22% in merchandising, distribution and other revenue. The growth on subscriber revenue was attributable to increased subscribers on STACKTV, Nick+ and other streaming services, as well as retroactive adjustments tied to renewals of distribution agreements with large cable providers, which offset lower subscribers in the traditional system. The decrease in television advertising revenue is primarily from the economic impact of re-introduced pandemic related restrictions on categories such as health and beauty in the second quarter as well as ongoing supply chain issues, particularly in the automotive category, which was somewhat mitigated by growth in the entertainment, retail, services, travel, and financial services categories. In addition, Television advertising revenue was impacted by more premium content premiering on our networks in the second quarter last year due to programming delivery delays coupled with an increase in sports programming on competitor networks compared to the prior year. The decrease in merchandising, distribution and other revenue was primarily driven by a difference in the timing of content licensing sales, which can vary from year to year. In the second quarter, this included $7.0 million from content distribution agreements with two large streaming services in the prior year and the timing of a large content distribution agreement which moved to the third quarter from the second quarter in the current quarter. This was partially offset by increases in software licensing, merchandising revenue, and publishing revenue in the quarter.

Revenue for the six months ended February 28, 2022 increased 6% as a result of growth of 9% in advertising revenue and 5% in subscriber revenue, offset by a 12% decrease in merchandising, distribution and other revenue. Growth from the prior year in advertising revenues reflects a return to a normal programming schedule and traditional advertising spending patterns in the current year. As noted above, subscriber revenue benefited from growth on STACKTV and Nick+ as well as a retroactive adjustment that offset lower traditional subscribers. As discussed above, the decrease in merchandising, distribution and other revenue was primarily driven by strong content licensing sales in the prior comparable period, offset by increases in software licensing, merchandising revenue, and publishing revenue.

Expenses for the quarter were up 13% from the prior year's quarter. Direct cost of sales (which includes amortization of program rights and film investments, and other cost of sales) increased 8%, while general and administrative expenses (which includes employee costs and other general and administrative costs) were up 20% from the prior year's quarter. Amortization of program rights increased 6%, film investment amortization increased 31% ($0.8 million), and other cost of sales increased by 6% ($3.0 million) from the prior year's quarter. The increase in amortization of program rights was driven predominantly by the continued ramp up of Canadian content production and increased original programming deliveries compared to the prior year's quarter. The increase in other cost of sales was principally a result of increased costs associated with service revenues. Employee costs increased 13% primarily due to the CEWS benefits of $3.6 million in the second quarter of the prior year, as well as higher salary and benefit costs. Other general and administrative expenses increased 36% from the prior year's quarter primarily from an increase of $7.1 million in CRTC Part I and II fees as relief was provided in the prior year, as well as increases in the current quarter in marketing costs, trade mark fees, and travel and entertainment costs.

Expenses for the six months ended February 28, 2022 were up 17% from the comparable period of the prior year as a result of increases of 16% in direct cost of sales, 12% in employee costs and 26% in other general and administrative expenses. The increase in direct cost of sales was driven by the 16% increase in amortization of program rights and the 24% increase in other cost of sales. The increase in employee costs was due to the CEWS benefits of $6.1 million in the comparable period of the prior year, as well as higher salary and benefit costs and commission costs in the first half of fiscal 2022. The increase in other general and administrative expenses was a result of the $7.7 million increase in CRTC Part I and II fees as relief was provided in the first half of the prior year, increases in the first half of fiscal 2022 in marketing costs, trade mark fees and travel and entertainment costs.

Segment profit(1) was down 22% for the second quarter and 9% for the six months ended February 28, 2022. The decrease for both the quarter and the year-to-date was primarily a result of CEWS benefits and relief on CRTC fees in the prior year as discussed above as well as an increase in amortization of program rights with the normalization of programming schedules in the current year. Segment profit margin(1) for the three and six months ended February 28, 2022 was 27% and 35%, respectively, down from 35% and 41% in the comparable periods of the prior year.

(1) As defined in the "Key Performance Indicators" section of this report.

RADIO

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended February 28, 2022	2021	Six months ended February 28, 2022	2021
Revenue	**22,000**	20,355	**51,126**	48,608
Expenses	**21,875**	18,946	**45,255**	40,058
Segment profit [(1)]	**125**	1,409	**5,871**	8,550
Segment profit margin[(1)]	**1%**	7%	**11%**	18%

[(1)]As defined in the "Key Performance Indicators" section of this report.

Revenue in the three and six months ended February 28, 2022 increased 8% and 5%, respectively, from the same comparable prior year periods. Advertising revenue growth remains muted by the re-introduction of pandemic related restrictions. Categories such as professional services, entertainment, retail and pharmaceutical saw an increase as companies prepared for the lifting of restrictions, while businesses in the travel category have shown cautious growth from the prior year as this business continues to closely monitor the impact of changes to pandemic related restrictions on consumer activity.

Direct cost of sales and general and administrative expenses in the three and six months ended February 28, 2022 increased 15% and 13%, respectively compared to the same comparable prior year periods. The increases were primarily due to increased sports rights costs, CEWS benefits in prior year (second quarter: $0.7 million; year-to-date: $1.1 million), increased tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenue, as well as the increase of $0.7 million in both the second quarter and the year-to-date in CRTC Part I and II fees, as relief was provided in the first half of the prior year, offset by lower facilities costs.

Radio's segment profit[(1)] in the three and six months ended February 28, 2022 decreased by $1.3 million and $2.7 million, respectively, from the same comparable prior year periods primarily as a result of the CEWS benefits and relief on CRTC fees in the prior year as discussed above. Segment profit margin[(1)] for the three and six months ended February 28, 2022 of 1% and 11%, respectively, were down from 7% and 18% in the comparable prior year periods.

[(1)] As defined in the "Key Performance Indicators" section of this report.

CORPORATE

FINANCIAL HIGHLIGHTS

(thousands of Canadian dollars)	Three months ended February 28, 2022	2021	Six months ended February 28, 2022	2021
Share-based compensation	**1,012**	3,907	**3,262**	8,022
Other general and administrative costs	**5,280**	4,418	**10,492**	8,402
	6,292	8,325	**13,754**	16,424

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 decreased in the three and six months ended February 28, 2022 by $2.9 million and $4.8 million, respectively, from the comparable prior year periods. The decreases, in both the quarter and year-to-date, are due to the decreases 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 $0.9 million in the quarter and $2.1 million for the six months ended February 28, 2022 from the comparable prior year periods. The increase in the quarter is due to higher salary and benefits costs and professional fees. The increase in the six months ended February 28, 2022 relates to higher salaries and benefits, the benefit of CEWS in the prior year of $1.0 million and increases in legal and consulting costs.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

SEASONAL FLUCTUATIONS

As discussed in Management's Discussion and Analysis for the year ended August 31, 2021, Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. The Company's advertising revenue is dependent on general advertising revenue and retail cycles associated with consumer spending activity, accordingly the first and third quarter results tend to be the highest and second and fourth quarter results tend to be the lowest in a fiscal year. The Company's merchandising and distribution revenue is dependent on the number and timing of film and television programs delivered, as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. The Company currently expects year-over-year increases in Television merchandising, distribution and other revenue in the coming 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 February 28, 2022. 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, 2021, except as disclosed in note 3 of the interim condensed consolidated financial statements.

(thousands of Canadian dollars, except per share amounts)

					Earnings (loss) per share			
	Revenue	Segment profit [1]	Net income (loss) attributable to shareholders	Adjusted net income attributable to shareholders [1]	Basic	Diluted	Adjusted basic [1]	Free cash flow [1]
2022								
2nd quarter	**361,661**	**86,556**	**16,221**	**16,964**	**$ 0.08**	**$ 0.08**	**$ 0.08**	**88,417**
1st quarter	463,873	177,170	76,165	76,931	$ 0.37	$ 0.36	$ 0.37	79,987
2021								
4th quarter	361,255	102,700	19,920	21,699	$ 0.10	$ 0.10	$ 0.10	35,181
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

[1] As defined in "Key Performance Indicators" of this report.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the second quarter of fiscal 2022 was negatively impacted by restructuring and other costs of $1.0 million ($nil per share).
- Net income attributable to shareholders for the first quarter of fiscal 2022 was negatively impacted by restructuring and other costs of $1.0 million ($nil per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2021 was negatively impacted by restructuring and other costs of $2.4 million ($nil per share).
- Net income attributable to shareholders for the third quarter of fiscal 2021 was negatively impacted by debt refinancing costs of $1.9 million ($0.01 per share) and 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 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 restructuring and other costs of $4.3 million ($0.01 per share).
- Net income attributable to shareholders for the fourth quarter of fiscal 2020 was negatively impacted by restructuring and other costs of $4.0 million ($0.01 per share).

- 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 restructuring and other costs of $2.6 million ($0.01 per share).

FINANCIAL POSITION

Total assets at February 28, 2022 were $4.0 billion, compared to $3.9 billion at August 31, 2021. The following discussion describes the significant changes in the consolidated statements of financial position since August 31, 2021.

Current assets at February 28, 2022 were $507.6 million, up $108.6 million from August 31, 2021.

Cash and cash equivalents increased by $51.8 million from August 31, 2021. Refer to the discussion of cash flows in the next section.

Accounts receivable increased $61.4 million from August 31, 2021. The increase was primarily a result of an increase in trade accounts receivable and $5.9 million attributable to a business acquisition. 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. The Company carefully monitors the aging and collection performance of its accounts receivable.

Tax credits receivable increased $17.4 million from August 31, 2021, of which $13.2 million relates to a business acquisition, as well as the accruals relating to film productions exceeding tax credit receipts.

Investments and other assets decreased $16.2 million from August 31, 2021, principally as a result of a $43.5 million return of capital from a venture fund investment, offset by a $25.7 million fair value adjustment to venture funds and certain other investments, as well as the addition of a prepayment option asset on the Notes of $14.6 million.

Property, plant and equipment decreased $14.3 million from August 31, 2021 as a result of depreciation expense exceeding additions.

Program rights increased $92.4 million from August 31, 2021, as additions of acquired rights of $368.5 million were offset by amortization of $276.1 million.

Film investments increased $18.0 million from August 31, 2021, as film additions (net of tax credit accruals) of $19.1 million were offset by film amortization of $7.1 million and $5.9 million was added related to a business acquisition.

Intangibles decreased $15.6 million from August 31, 2021, principally as a result of amortization of $57.9 million exceeding renewals and extensions of several output agreements of $40.7 million. Goodwill increased $1.8 million from August 31, 2021 as a result of a business acquisition.

Accounts payable and accrued liabilities increased $74.8 million from August 31, 2021, principally as a result of higher program rights payable, trade accounts payable and other accrued liabilities, which include other working capital accruals, trade marks payable, unearned revenue, and adjustments in the fair value of interest rate swap derivative instruments, offset by decreases to short-term compensation accruals, unremitted sales taxes, and reductions in software license liabilities.

Provisions, including the long-term portion, decreased $2.4 million from August 31, 2021, principally as a result of restructuring-related payments exceeding additions.

Long-term debt, including the current portion, as at February 28, 2022 was $1,300.4 million compared to $1,349.3 million as at August 31, 2021. As at February 28, 2022, the $13.9 million classified as the current portion of long-term debt reflects interim production financing. During the six months ended February 28, 2022, the Company repaid bank debt of $319.8 million, issued Notes of $250.0 million that resulted in the additions of deferred fees of $4.4 million and the value of prepayment options of $9.6 million, added $13.5 million in production financing related to a business acquisition, wrote off $0.4 million of previously deferred fees and amortized $1.7 million of deferred financing charges.

Other long-term liabilities increased $85.5 million from August 31, 2021, primarily from increases in long-term program rights payable, trade mark liabilities and unearned revenue, offset by adjustments in the fair value of foreign exchange forward contracts derivative instruments, the reclassification of the interest rate swap derivative to accounts payable and accrued liabilities, as well as long-term liabilities related to lease liabilities and employee obligations.

Share capital decreased by $6.2 million from August 31, 2021 as a result of 1.25 million shares repurchased under the NCIB and an estimated 0.3 million shares that the Company has committed to purchase under an automatic share purchase plan during the Company's quarterly blackout period from March 1, 2022 through April 12, 2022. Contributed surplus decreased by $1.2 million primarily as a result of the repurchases under the NCIB, offset by share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

The Company's cash and cash equivalents position increased by $42.1 million in the second quarter of fiscal 2022 and $51.8 million in the six months ended February 28, 2022 from the same comparable prior year periods. Free cash flow[(1)] for the three and six months ended February 28, 2022 was $88.4 million and $168.4 million, respectively, compared to $89.7 million and $152.1 million in the same comparable prior year periods. The decrease in free cash flow[(1)] in the second quarter is attributable to a decrease in cash provided by operating activities, offset by reduction in cash used in investing activities. The increase in free cash flow[(1)] for the six months ended February 28, 2022 is mainly attributable to a $43.5 million venture fund distribution, offset by a decrease in cash provided by operating activities of $25.9 million.

Cash provided by operating activities for the three and six months ended February 28, 2022 was $92.5 million and $131.2 million, respectively, compared to $93.7 million and $157.1 million for the same comparable prior year periods. The decrease in the current quarter of $1.2 million arises from a decrease of $25.4 million in cash flows from operations, which includes higher spend on program rights of $14.9 million and film investments of $4.8 million, offset by higher cash provided by the net change in non-cash working capital of $24.2 million. For the six months ended February 28, 2022, the $25.9 million decrease in cash provided by operating activities arises from lower cash flows from operations of $8.9 million, which includes a higher spend on program rights of $28.0 million and film investments of $10.3 million combined with lower cash provided by the net change in non-cash working capital of $17.0 million.

Cash used in investing activities for the quarter was $2.1 million compared to $4.4 million in the prior year's quarter. The decrease in cash used in the quarter of $2.3 million is primarily due to the $2.2 million business combination, net of acquired cash of $4.8 million, and a decrease of $0.8 million in net cash outflows for intangibles, investments and other assets, offset by increased additions to property, plant and equipment of $1.0 million. Cash provided by investing activities for the six months ended February 28, 2022 was $38.9 million compared to cash used in investing activities of $5.8 million in the comparable prior year period. The increase of $44.8 million in the year-to-date was attributable to the venture fund distribution of $43.5 million and the $2.2 million business combination, net of acquired cash of $4.8 million, offset by increased spend on property, plant and equipment of $1.9 million.

Cash used in financing activities in the three and six months ended February 28, 2022 was $48.3 million and $118.4 million, respectively compared to $80.0 million and $138.0 million for the same comparable prior year periods. The decrease in cash used in financing activities for both the quarter and year-to-date arise from the 2030 Notes issuance of $250.0 million and an increase in equity funding by a non-controlling interest of $1.6 million, offset by increased repayments on bank loans (second quarter: $210.1 million; year-to-date: $225.1 million), share repurchases of $5.9 million and $4.4 million in financing fees associated with the 2030 Notes issuance.

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.

(1) A definition and reconciliation of free cash flow to the consolidated statements of cash flows is provided in the Key Performance Indicators section of this report.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. In 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 February 28, 2022, the Company was in compliance with all loan covenants and had a cash and cash equivalents balance of $95.5 million and had available approximately $300.0 million under the Revolving Facility, all of which could be drawn. 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.

On March 18, 2022, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and Revolving Facility to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility. For further details on the credit facilities, refer to note 5 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at February 28, 2022, total capitalization was $2,647.9 million compared to $2,669.5 million at August 31, 2021, a decrease of $21.6 million. The decrease in total capitalization is principally related to a decrease in accumulated deficit of $64.7 million and an increase in accumulated other comprehensive income of $14.2 million, offset by lower long-term debt of $48.9 million and an increase in cash and cash equivalents of $51.8 million.

OUTSTANDING SHARE DATA

(shares/units)	**As at March 31, 2022**	As at August 31, 2021
Shares Outstanding		
Class A Voting Shares	**3,373,726**	3,412,392
Class B Non-Voting Shares	**203,398,732**	204,954,666
Stock Options		
Vested	**5,160,225**	4,203,200
Non-vested	**2,730,775**	3,022,450

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 and to provide a better understanding of how management views the Company's performance. In addition, certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. 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.

OPTIMIZED ADVERTISING REVENUE

Optimized advertising revenue is calculated as advertising revenue attributable to audience segment selling as well as the Cynch automated buying platform expressed as a percentage of Television advertising revenue. The Company believes these are important measures as they allow the Company and investors to evaluate the its performance on how Television advertising is sold.

NEW PLATFORM REVENUE

This metric includes incremental subscriber revenue from new streaming initiatives and advertising revenue from digital platforms expressed as a percentage of total Television advertising and subscriber revenue. New platform revenue reflects progress on the Company's participation in rapidly growing streaming distribution platforms and digital advertising markets. The Company believes these are important measures as they allow the Company and investors to evaluate the its performance on how Television advertising is sold.

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenue less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and comprehensive income. Segment profit and segment profit margin may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes these are important measures as they allow the Company to evaluate the operating performance of its business segments or lines of business and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation and amortization; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast licence impairment; significant intangible and other asset impairment; debt refinancing; non-cash gains or losses; restructuring and other costs; gain (loss) on disposition; and certain other income and expenses as included in note 9 to the interim condensed consolidated financial statements. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 11 to the interim condensed consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenue. Segment profit and segment profit margin do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies. Segment profit and segment profit margin should not be considered in isolation or as a substitute for net income prepared in accordance with IFRS as issued by the IASB.

	Three months ended		Six months ended	
		February 28,		**February 28,**
(thousands of Canadian dollars, except percentages)	**2022**	2021	**2022**	2021
Revenue	**361,661**	358,874	**825,534**	779,229
Direct cost of sales, general and administrative expenses	**275,105**	246,234	**561,808**	487,982
Segment profit	**86,556**	112,640	**263,726**	291,247
Segment profit margin	**24%**	31%	**32%**	37%

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		Six months ended	
		February 28,		**February 28,**
(thousands of Canadian dollars)	**2022**	2021	**2022**	2021
Cash provided by (used in):				
Operating activities	**92,499**	93,708	**131,202**	157,089
Investing activities	**(2,061)**	(4,408)	**38,944**	(5,815)
	90,438	89,300	**170,146**	151,274
Add: cash used in (provided by) business acquisitions and strategic investments[1]	**(2,021)**	390	**(1,742)**	790
Free cash flow	**88,417**	89,690	**168,404**	152,064

[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 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 or basic earnings per share attributable to shareholders prepared in accordance with IFRS as issued by the IASB.

	Three months ended February 28,		Six months ended February 28,	
(thousands of Canadian dollars, except per share amounts)	**2022**	2021	**2022**	2021
Net income attributable to shareholders	**16,221**	35,300	**92,386**	111,964
Adjustments, net of income tax:				
Restructuring and other costs	**743**	2,196	**1,509**	5,383
Adjusted net income attributable to shareholders	**16,964**	37,496	**93,895**	117,347
Basic earnings per share	**$0.08**	$0.17	**$0.44**	$0.54
Adjustments, net of income tax:				
Restructuring and other costs	**$ —**	$0.01	**$0.01**	$0.02
Adjusted basic earnings per share	**$0.08**	$0.18	**$0.45**	$0.56

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 for the most recent four quarters. 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 February 28, 2022**	As at August 31, 2021
Total debt, net of unamortized financing fees and prepayment options	**1,300,356**	1,349,293
Lease liabilities	**139,700**	143,546
Cash and cash equivalents	**(95,450)**	(43,685)
Net debt	**1,344,606**	1,449,154
Net debt (numerator)	**1,344,606**	1,449,154
Segment profit (denominator) [1]	**497,097**	524,618
Net debt to segment profit	**2.70**	2.76

[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

In addition to the supplemental risks and uncertainties set out below, the significant risks and uncertainties affecting the Company and its business are discussed under the heading "Risks and Uncertainties" in the 2021 MD&A, as filed at www.sedar.com on November 1, 2021.

COVID-19

Many provinces and territories have begun the gradual lifting of health restrictions related to COVID-19, which may see a phased return to on-site work across various sectors. Disruptions caused by imposition of public health restrictions and rising COVID-19 infection rates, including labour shortages, employee absenteeism at the Company or its clients and suppliers, changes in consumer demand, and supply chain shortages or disruptions, particularly in the retail, tourism and entertainment sectors, can negatively impact the Company's operations and financial performance, including advertising revenue. There can be no certainty that current vaccination and public health measures can mitigate negative impacts caused by the COVID-19 pandemic on the Company's business in the short to medium term. Also see the "risks and Uncertainties - B. Business Risks - Pandemics" section of the 2021 MD&A.

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 February 28, 2022 unaudited interim condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2022

There are no new amendments to accounting standards that are effective for the Company's interim and annual consolidated financial statements commencing September 1, 2021.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS. For details of the Company's significant accounting policies under IFRS, refer to Note 3 of the Company's unaudited interim condensed consolidated financial statements for the three months ended February 28, 2022 and the Company's annual consolidated financial statements for the year ended August 31, 2021. For details of the Company's critical accounting estimates and assumptions under IFRS, refer to Management's Discussion and Analysis in its 2021 Annual Report.

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 second quarter ended February 28, 2022 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian dollars)	**As at February 28, 2022**	As at August 31, 2021
ASSETS		
Current		
Cash and cash equivalents	**95,450**	43,685
Accounts receivable	**387,010**	325,587
Income taxes recoverable	**1,517**	5,597
Prepaid expenses and other assets	**23,623**	24,106
Total current assets	**507,600**	398,975
Tax credits receivable	**41,910**	24,501
Investments and other assets (note 4)	**82,449**	98,667
Property, plant and equipment	**301,976**	316,226
Program rights	**668,490**	576,076
Film investments	**57,686**	39,732
Intangibles	**1,671,864**	1,687,432
Goodwill	**666,753**	664,958
Deferred income tax assets	**43,906**	50,050
	4,042,634	3,856,617
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**584,648**	509,817
Current portion of long-term debt (note 5)	**13,933**	35,328
Provisions	**5,181**	7,202
Total current liabilities	**603,762**	552,347
Long-term debt (note 5)	**1,286,423**	1,313,965
Other long-term liabilities	**418,619**	331,482
Provisions	**9,069**	9,497
Deferred income tax liabilities	**421,475**	428,963
Total liabilities	**2,739,348**	2,636,254
EQUITY		
Share capital (note 6)	**809,932**	816,189
Contributed surplus	**1,511,217**	1,512,431
Accumulated deficit	**(1,214,468)**	(1,282,897)
Accumulated other comprehensive income	**36,012**	21,811
Total equity attributable to shareholders	**1,142,693**	1,067,534
Equity attributable to non-controlling interest	**160,593**	152,829
Total equity	**1,303,286**	1,220,363
	4,042,634	3,856,617

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended		Six months ended	
		February 28,		**February 28,**
(unaudited - in thousands of Canadian dollars, except per share amounts)	**2022**	2021	**2022**	2021
Revenue	**361,661**	358,874	**825,534**	779,229
Direct cost of sales, general and administrative expenses (note 7)	**275,105**	246,234	**561,808**	487,982
Depreciation and amortization	**39,747**	38,301	**77,128**	76,288
Interest expense (note 8)	**25,759**	24,347	**51,281**	49,083
Restructuring and other costs	**1,011**	2,988	**2,054**	7,324
Other income, net (notes 4 and 9)	**(5,938)**	(6,292)	**(2,801)**	(6,857)
Income before income taxes	**25,977**	53,296	**136,064**	165,409
Income tax expense (note 10)	**6,029**	13,399	**35,187**	42,964
Net income for the period	**19,948**	39,897	**100,877**	122,445
Other comprehensive income, net of income taxes:				
Items that may be reclassified subsequently to income:				
Unrealized change in fair value of cash flow hedges (note 5)	**1,515**	2,542	**3,501**	5,029
Unrealized foreign currency translation adjustment	**(225)**	(383)	**32**	(412)
	1,290	2,159	**3,533**	4,617
Items that will not be reclassified to income:				
Unrealized change in fair value of financial assets	**(2,912)**	(808)	**10,668**	(1,587)
Actuarial gain on post-retirement benefit plans	**3,128**	6,344	**2,460**	9,729
	216	5,536	**13,128**	8,142
Other comprehensive income, net of income taxes	**1,506**	7,695	**16,661**	12,759
Comprehensive income for the period	**21,454**	47,592	**117,538**	135,204
Net income attributable to:				
Shareholders	**16,221**	35,300	**92,386**	111,964
Non-controlling interest	**3,727**	4,597	**8,491**	10,481
	19,948	39,897	**100,877**	122,445
Comprehensive income attributable to:				
Shareholders	**17,727**	42,995	**109,047**	124,723
Non-controlling interest	**3,727**	4,597	**8,491**	10,481
	21,454	47,592	**117,538**	135,204
Earnings per share attributable to shareholders:				
Basic	**$0.08**	$0.17	**$0.44**	$0.54
Diluted	**$0.08**	$0.17	**$0.44**	$0.54

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)	**Share capital**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive income**	**Total equity attributable to shareholders**	**Non-controlling interest**	**Total equity**
As at August 31, 2021	816,189	1,512,431	(1,282,897)	21,811	1,067,534	152,829	1,220,363
Comprehensive income	—	—	92,386	16,661	109,047	8,491	117,538
Dividends declared	—	—	(24,996)	—	(24,996)	(6,625)	(31,621)
Business acquisition	—	—	—	—	—	436	436
Change in fair value of put option liability arising from business acquisition (note 13)	—	—	(1,421)	—	(1,421)	(257)	(1,678)
Shares repurchased under normal course issuer bid ("NCIB") (note 6)	(4,919)	(1,439)	—	—	(6,358)	—	(6,358)
Share repurchase commitment under NCIB	(1,338)	(386)	—	—	(1,724)	—	(1,724)
Actuarial gain on post-retirement benefit plans	—	—	2,460	(2,460)	—	—	—
Share-based compensation expense	—	611	—	—	611	—	611
Equity funding by a non-controlling interest	—	—	—	—	—	5,719	5,719
As at February 28, 2022	**809,932**	**1,511,217**	**(1,214,468)**	**36,012**	**1,142,693**	**160,593**	**1,303,286**

(unaudited - in thousands of Canadian dollars)	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (deficit)	Total equity attributable to shareholders	Non-controlling interest	Total equity
As at August 31, 2020	816,189	1,511,325	(1,425,432)	(2,258)	899,824	148,595	1,048,419
Comprehensive income	—	—	111,964	12,759	124,723	10,481	135,204
Dividends declared	—	—	(24,996)	—	(24,996)	(8,407)	(33,403)
Actuarial gain on post-retirement benefit plans	—	—	9,729	(9,729)	—	—	—
Share-based compensation expense	—	561	—	—	561	—	561
Return of capital to non-controlling interest	—	—	—	—	—	(1,622)	(1,622)
Equity funding by a non-controlling interest	—	—	—	—	—	2,126	2,126
Reallocation of equity interest	—	—	617	—	617	(617)	—
As at February 28, 2021	816,189	1,511,886	(1,328,118)	772	1,000,729	150,556	1,151,285

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)	Three months ended February 28, 2022	2021	Six months ended February 28, 2022	2021
OPERATING ACTIVITIES				
Net income for the period	**19,948**	39,897	**100,877**	122,445
Adjustments to reconcile net income to cash flow from operations:				
Amortization of program rights (note 7)	**133,928**	126,138	**276,120**	235,860
Amortization of film investments (note 7)	**3,473**	2,656	**7,084**	6,920
Depreciation and amortization	**39,747**	38,301	**77,128**	76,288
Deferred income tax recovery	**(2,439)**	(10,878)	**(2,481)**	(16,237)
Share-based compensation expense	**317**	269	**611**	561
Imputed interest (note 8)	**11,869**	11,009	**23,140**	22,043
Deferred fees write-off	**402**	—	**402**	—
Payment of program rights	**(136,037)**	(121,147)	**(230,208)**	(202,257)
Net spend on film investments	**(12,329)**	(7,557)	**(27,594)**	(17,306)
CRTC benefit payments	**—**	(23)	**—**	(635)
Other	**(5,054)**	607	**(5,056)**	1,279
Cash flow from operations	**53,825**	79,272	**220,023**	228,961
Net change in non-cash working capital balances related to operations	**38,674**	14,436	**(88,821)**	(71,872)
Cash provided by operating activities	**92,499**	93,708	**131,202**	157,089
INVESTING ACTIVITIES				
Additions to property, plant and equipment	**(4,171)**	(3,206)	**(6,047)**	(4,182)
Proceeds from sale of property	**100**	147	**125**	147
Business combination, net of cash acquired (note 13)	**2,606**	—	**2,606**	—
Venture fund distribution (note 4)	**—**	—	**43,478**	—
Net cash flows for intangibles, investments and other assets	**(596)**	(1,349)	**(1,218)**	(1,780)
Cash provided by (used in) investing activities	**(2,061)**	(4,408)	**38,944**	(5,815)
FINANCING ACTIVITIES				
Decrease in bank loans	**(271,225)**	(61,119)	**(319,758)**	(94,636)
Financing fees	**(4,400)**	—	**(4,400)**	—
Issuance of senior unsecured notes	**250,000**	—	**250,000**	—
Share repurchase under NCIB	**(5,850)**	—	**(5,850)**	—
Return of capital to non-controlling interest	**—**	—	**—**	(1,622)
Equity funding by a non-controlling interest	**3,742**	2,126	**3,742**	2,126
Payment of lease liabilities	**(4,153)**	(3,999)	**(8,168)**	(7,966)
Dividends paid	**(12,499)**	(12,499)	**(24,996)**	(24,996)
Dividends paid to non-controlling interest	**(3,700)**	(4,162)	**(6,625)**	(8,407)
Other	**(215)**	(362)	**(2,326)**	(2,451)
Cash used in financing activities	**(48,300)**	(80,015)	**(118,381)**	(137,952)
Net change in cash and cash equivalents during the period	**42,138**	9,285	**51,765**	13,322
Cash and cash equivalents, beginning of the period	**53,312**	49,937	**43,685**	45,900
Cash and cash equivalents, end of the period	**95,450**	59,222	**95,450**	59,222

Supplemental cash flow disclosures (note 12)

1. CORPORATE INFORMATION

Corus Entertainment Inc. (the "Company" or "Corus") is a diversified Canadian media and content company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol CJR.B.

The Company's registered office is at 1500, 850 – 2nd Street SW, Calgary, Alberta, T2P 0R8. The Company's executive office is at Corus Quay, 25 Dockside Drive, Toronto, Ontario, M5A 0B5.

These interim condensed consolidated financial statements include the accounts of the Company and all its subsidiaries and joint ventures. The Company's principal business activities are: the operation of specialty television networks and conventional television stations; the operation of radio stations; and the Corus content business, which consists of the production and distribution of films and television programs, merchandise licensing, book publishing and the production and distribution of animation software.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended August 31, 2021, except as described in note 3. These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended August 31, 2021, which are available at www.sedar.com and on the Company's website at www.corusent.com.

These interim condensed consolidated financial statements of the Company for the three and six months ended February 28, 2022 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 7, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The interim condensed consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and investments in venture funds, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise noted. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

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, its variants 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.

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

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL 2022

There are no new amendments to accounting standards that are effective for the Company's interim and annual consolidated financial statements commencing September 1, 2021.

PENDING ACCOUNTING CHANGES

IAS 1 - Presentation of Financial Statements ("IAS 1")

In January 2020, IASB issued an amendment to IAS 1, which affects only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

Amendments to IAS 8 in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

IAS 12 – *Income Taxes ("IAS 12")*

Amendments to IAS 12 in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

4. INVESTMENTS AND OTHER ASSETS

	Investments in associates	Investment in Venture Funds	Other assets	Total
Balance – August 31, 2021	13	61,320	37,334	98,667
Net increase (decrease)	3	(24,212)	7,991	(16,218)
Balance – February 28, 2022	**16**	**37,108**	**45,325**	**82,449**

In the second quarter of fiscal 2022, the Company recognized the fair value of prepayment options on the Notes, with initial value of $9.7 million. Changes in fair value are recognized through other expense in the consolidated statements of income and comprehensive income.

In the first quarter of fiscal 2022, the Company received a return of capital of $43.5 million (UDS $34.5 million) from a venture fund investment representing the Company's pro-rata share of the distribution. This resulted in a $13.8 million gain, net of tax, recognized through other comprehensive income.

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

5. LONG-TERM DEBT

	February 28, 2022	August 31, 2021
Senior unsecured notes	**750,000**	500,000
Bank loans	**545,704**	865,491
Interim production financing	**13,933**	—
Unamortized financing fees and prepayment options	**(9,281)**	(16,198)
	1,300,356	1,349,293
Less: current portion	**(13,933)**	(35,328)
	1,286,423	1,313,965

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances. As at February 28, 2022, the weighted average interest rate on outstanding bank loans and notes was 4.7% (February 28, 2021 – 3.9%). Interest on the bank loans and notes averaged 4.2% for both the three and six months ended February 28, 2022 (February 28, 2021 – 4.0%, for both comparable periods).

The banks hold, as collateral, a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the Amended and Restated Credit Agreement dated May 31, 2021 (the "Facility"), as amended from time to time including as amended and restated on March 18, 2022. Under the Facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at February 28, 2022.

CREDIT FACILITIES AND SENIOR UNSECURED NOTES

On May 11, 2021, the Company issued $500.0 million in principal amount of 5.0% Senior Unsecured Notes due May 11, 2028 (the "2028 Notes"). The net proceeds therefrom were used to repay amounts under the Term Facility.

On February 28, 2022, the Company issued $250.0 million in principal amount of 6.0% Senior Unsecured Notes due February 28, 2030 (the "2030 Notes") and, collectively with the 2028 Notes, (the "Notes"). The net proceeds therefrom were used to repay amounts under the Term Facility.

On May 31, 2021, the Company's credit agreement with a syndicate of banks was amended and restated. The principal amendments were to reduce the senior secured term credit facility (the "Term Facility") to one tranche in the initial amount of $923.7 million and to extend the maturity for the Term Facility and the senior secured revolving credit facility (the "Revolving Facility") to May 31, 2025.

Effective March 18, 2022, the credit facility was amended and restated. The principal amendments were to extend the maturity on both the Term Facility and the Revolving Facility to March 18, 2027 and to eliminate quarterly mandatory repayments and mandatory repayments from the net proceeds from the issue of other debt on the Term Facility.

The carrying value of the debt is accreted using the effective interest rate method over the remaining term of the Facility or the Notes with the accretion recognized within interest expense on the interim condensed consolidated statements of income and comprehensive income.

The repayment of the Term Facility from the net proceeds of the 2030 Notes resulted in the Company recording net refinancing costs of $0.4 million for the non-cash write-off of unamortized financing fees. The March 18, 2022 amendment and restatement of the Facility is expected to result in the Company recording a net debt refinancing gain of approximately $3.9 million.

Senior Unsecured Notes

The Notes are senior unsecured obligations guaranteed by certain of the Company's subsidiaries and contain covenants that limit the Company's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Notes is paid semi-annually.

At any time prior to May 11, 2024 (first optional early redemption date for the 2028 Notes), the Company may redeem all or part of the 2028 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at a redemption price that is no less than 101% of the principal amount of the 2028 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after May 11, 2024, the Company may redeem all or part of the 2028 Notes at the redemption price of 102.5% to May 11, 2025, 101.25% to May 11, 2026 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

At any time prior to February 28, 2025 (first optional early redemption date for the 2030 Notes), the Company may redeem all or part of the 2030 Notes at a make-whole price determined by discounting the future interest and early redemption payments to the first optional early redemption date with reference to prevailing market Government of Canada rates plus 1%, but in any case at redemption price that is no less than 101% of the principal amount of the 2030 Notes being redeemed, plus accrued and unpaid interest to the date of redemption. On or after February 28, 2025, the Company may redeem all or part of the 2030 Notes at the redemption price of 103% to February 28, 2026, 101.5% to February 28, 2027 and 100% thereafter, plus accrued and unpaid interest to the date of redemption.

The prepayment options associated with the Notes were fair valued at the time of debt issuance. The initial fair value impact of the prepayment options related to the Notes was a $9.7 million increase to the indebtedness. This liability is subsequently amortized using the effective interest rate method.

Term Facility

As at February 28, 2022, the Term Facility balance was $545.7 million with a maturity date of May 31, 2025. With the amendment and restatement of the Facility effective March 18, 2022 the maturity was extended to March 18, 2027.

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

Voluntary prepayments on the amount outstanding under the Term Facility are permitted at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Revolving Facility

As at February 28, 2022 the Revolving Facility maturity was May 31, 2025. With the amendment and restatement of the Facility effective March 18, 2022, the maturity was extended to March 18, 2027. The Revolving Facility is available on a revolving basis to finance permitted acquisitions and capital expenditures and for general corporate purposes. Amounts owing under the Revolving Facility will be payable in full at maturity. The Revolving Facility permits full or partial cancellation of the facility and, if applicable, concurrent prepayment of the amounts drawn thereunder at any time without penalty, subject to payment of customary breakage costs, if applicable, and provided that advances in the form of bankers' acceptances may only be paid on their maturity.

Advances under the Revolving Facility may be drawn in Canadian dollars as either a prime rate loan, bankers' acceptance or Canadian dollar denominated letters of credit (to a sub-limit of $50.0 million total), or in U.S. dollars as either a base rate loan, SOFR advance or U.S. dollar denominated letters of credit (to a sub-limit of $50.0 million total). Amounts drawn under the Revolving Facility will bear interest at the applicable reference rate plus an applicable margin depending on the type of advance and Corus' total debt to cash flow ratio. A standby fee will also be payable on the unutilized amount of the Revolving Facility. As at February 28, 2022, all of the Revolving Facility was available and could be drawn.

Interim Production Financing

Non-wholly owned subsidiaries of Corus have incurred revolving demand loans as interim financing for film or television productions with certain financial institutions. As February 28, 2022, three interim financing agreements for television productions are drawn in total amount of approximately $14.0 million. Amounts drawn under these loans bear interest at prime rate plus an applicable margin. The financial institutions hold, as security, a first ranking charge on the assets and undertakings, including receivables, of the productions.

INTEREST RATE SWAP AGREEMENTS

The Company has entered into a Canadian interest rate swap agreement to fix the interest rate on a portion of its outstanding term loan facilities. The current notional value of the interest rate swap agreements is $450.0 million at 2.004%, plus applicable margins, to August 31, 2022. The counterparties of the swap agreement are highly rated financial institutions and the Company does not anticipate any non-performance. The fair value of Level 2 financial instruments, such as interest rate swap agreements, is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreement are recognized in other comprehensive income (loss). The estimated fair value of these agreements as at February 28, 2022 was a liability of $1.9 million (August 31, 2021 – $6.7 million), which has been recorded in the interim consolidated statements of financial position as a short-term liability. The effectiveness of the hedging relationship is reviewed on a quarterly basis.

TOTAL RETURN SWAPS

In November 2021, the Company amended its total return swap agreements to add an additional 400,000 share units with a notional value of $2.2 million to further offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. As at February 28, 2022, the Company has total return swap agreements on 3,597,500 share units. 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 February 28, 2022 was an asset of $1.0 million (August 31, 2021 – $4.9 million), which has been recorded in the interim condensed consolidated statements of financial position as prepaid expenses and other assets and within employee costs in the interim condensed consolidated statements of income and comprehensive income (note 7).

FORWARD CONTRACTS

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. As at February 28, 2022, the total amount of foreign exchange forward contracts outstanding was $106.5 million U.S. dollars. The forward contracts are not designated as hedges for accounting purposes; they are measured at fair value at each reporting date. The counterparty of the forward contracts is a highly rated financial institution and the Company does not anticipate any non-performance. The estimated fair values of future cash flow of the U.S. dollar forward contract derivatives change with fluctuations in the foreign exchange rate of U.S. dollars to Canadian dollars. The estimated fair value of these agreements as at February 28, 2022 was a liability of $1.9 million (August 31, 2021 – $2.6 million), which has been recorded in the interim condensed consolidated statements of financial position as an other long-term liability, and within other expense (income), net (note 9) in the interim condensed consolidated statements of income and comprehensive income.

6. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance – August 31, 2021	3,412,392	9,439	204,954,666	806,750	816,189
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(38,666)	(107)	38,666	107	—
Shares repurchased under NCIB	—	—	(1,249,600)	(4,919)	(4,919)
Share repurchase commitment under NCIB	—	—	(340,000)	(1,338)	(1,338)
Balance – February 28, 2022	**3,373,726**	**9,332**	**203,403,732**	**800,600**	**809,932**

EARNINGS PER SHARE

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

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Net income attributable to shareholders (numerator)	**16,221**	35,300	**92,386**	111,964
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	**208,093**	208,367	**208,231**	208,367
Effect of dilutive securities	**346**	216	**510**	—
Weighted average number of shares outstanding – diluted	**208,439**	208,583	**208,741**	208,367

The calculation of diluted earnings per share for the three and six months ended February 28, 2022 excluded 5,355 and 5,102, respectively (February 28, 2021 – 6,270 and 6,287, respectively), weighted average Class B Non-Voting Shares issuable under the Company's Stock Option Plan because these options were not "in-the-money".

DIVIDENDS

On January 13, 2022, the Company declared quarterly dividends of $0.05875 and $0.06 per share to holders of its Class A and Class B Shares, respectively.

SHARE-BASED COMPENSATION

Share-based compensation expense recorded for the second quarter and year-to-date of fiscal 2022 in respect of the Performance Share Units, Deferred Share Units and Restricted Share Units plans was $1,012 and $3,262 (2021 – $3,907 and $8,022). As at February 28, 2022, the carrying value of the liability for these plans was $21,345 (August 31, 2021 – $33,908).

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

NORMAL COURSE ISSUER BID ("NCIB")

On January 13, 2022, the Company announced that the TSX had accepted the notice filed by the Company for the renewal of an NCIB for its Class B Non-Voting Participating Shares through the facilities of the TSX, and/or other alternative Canadian trading systems. The Company may purchase for cancellation a maximum of 9,669,705 Class B Non-Voting Participating Shares during the period from January 17, 2022 through January 16, 2023.

On February 28, 2022, the Company entered into an automatic share purchase plan ("ASPP") with a designated broker for the purpose of permitting the Company to purchase its Common Shares under the NCIB during self-imposed quarterly blackout periods. The volume of the purchases is determined by the broker based on share price and maximum volume parameters established by the Company under the ASPP prior to the commencement of the black-out period. As of February 28, 2022, the Company had committed to purchase and cancel Class B Non-Voting Participating Shares of approximately $1,724. This amount was recognized in share capital, contributed surplus and accounts payable and accrued liabilities in the interim condensed consolidated statements of financial position on February 28, 2022, however actual amounts settled in the subsequent quarter will differ based on the share price and maximum volume parameters under the ASPP.

The shares purchased and cancelled since January 17, 2022 are as follows:

	#	$	Average per share $
January 2022	300,000	1,480	4.93
February 2022	949,600	4,878	5.14
March 2022 [1]	260,000	1,317	5.07
April 2022 [1]	80,000	407	5.09
	1,589,600	8,082	5.08

[1] Amount estimated under ASPP commitment. Actual amount will differ due to actual average per share price.

During fiscal 2022, the total cash consideration paid exceeded the carrying value of the shares repurchased by $1,439 (2021- $nil), which was charged to contributed surplus.

7. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Direct cost of sales				
Amortization of program rights	**133,928**	126,138	**276,120**	235,860
Amortization of film investments	**3,473**	2,656	**7,084**	6,920
Other cost of sales	**10,170**	7,062	**20,008**	16,345
General and administrative expenses				
Employee costs [1]	**83,451**	77,157	**166,443**	154,375
Other general and administrative [2]	**44,083**	33,221	**92,153**	74,482
	275,105	246,234	**561,808**	487,982

[1] No claims for the Canada Emergency Wage Subsidy ("CEWS") have been made in fiscal 2022. In the prior year, the estimated CEWS for the three and six months ended February 28, 2021 was approximately $4.4 million and $8.2 million and was recorded principally as a reduction of employee costs.

[2] In the prior year, other general and administrative expenses included relief on regulatory fees. As a result, CRTC part I and II fees for the three and six months ended February 28, 2022 have increased $7.8 million and $8.4 million compared to the same prior year periods.

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

8. INTEREST EXPENSE

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2022	2021	**2022**	2021
Interest on long-term debt (note 5)	**13,477**	14,369	**27,323**	29,164
Imputed interest on long-term liabilities	**11,869**	11,009	**23,140**	22,043
Amortization of deferred gain on settled interest rate swap	**—**	(1,398)	**—**	(2,853)
Other	**413**	367	**818**	729
	25,759	24,347	**51,281**	49,083

9. OTHER INCOME, NET

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2022	2021	**2022**	2021
Foreign exchange loss (gain) (note 5)	**(799)**	(5,557)	**2,800**	(5,416)
Equity (gain) loss of associates	**(1)**	—	**(35)**	12
Fair value gain on Notes prepayment options	**(4,953)**	—	**(4,953)**	—
Other income	**(185)**	(735)	**(613)**	(1,453)
	(5,938)	(6,292)	**(2,801)**	(6,857)

10. INCOME TAXES

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

			Six months ended	
				February 28,
		2022		2021
	$	**%**	$	%
Income tax at combined federal and provincial rates	**35,896**	**26.4**	43,637	26.4
Income subject to tax at less than statutory rates	**(349)**	**(0.2)**	(778)	(0.5)
Non-deductible (taxable) portion of capital gains	**(4)**	**—**	—	—
Impact of valuation allowance recorded against future income tax assets	**(509)**	**(0.4)**	(815)	(0.5)
Transaction costs	**(29)**	**—**	(147)	(0.1)
Increase of various tax reserves	**83**	**—**	95	0.1
Miscellaneous differences	**99**	**—**	972	0.6
	35,187	**25.8**	42,964	26.0

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

11. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment is comprised of 33 specialty television networks (34 services prior to December 31, 2020), 15 conventional television stations, digital assets, a social media digital agency, a social media creator network, and the Corus content business, which includes the production and distribution of films and television programs, merchandise licensing, book publishing, animation software, and technology and media services. Revenue is generated from advertising, subscribers and the licensing of proprietary films and television programs, merchandise licensing, book publishing, animation software, and technology and media service sales.

RADIO

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

CORPORATE

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

Management evaluates each segment's performance based on revenue less direct cost of sales, general and administrative expenses. Segment profit (loss) excludes depreciation and amortization, interest expense, debt refinancing costs, restructuring and other costs, impairments, gains or losses on dispositions, and certain other income and expenses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the most recent annual audited consolidated financial statements, except as described in note 3.

REVENUE AND SEGMENT PROFIT

Three months ended February 28, 2022	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenue	**339,661**	**22,000**	**—**	**361,661**
Direct cost of sales, general and administrative expenses	**246,938**	**21,875**	**6,292**	**275,105**
Segment profit (loss)	**92,723**	**125**	**(6,292)**	**86,556**
Depreciation and amortization				**39,747**
Interest expense				**25,759**
Restructuring and other costs				**1,011**
Other income, net				**(5,938)**
Income before income taxes				**25,977**

Three months ended February 28, 2021	Television	Radio	Corporate	Consolidated
Revenue	338,519	20,355	—	358,874
Direct cost of sales, general and administrative expenses	218,963	18,946	8,325	246,234
Segment profit (loss)	119,556	1,409	(8,325)	112,640
Depreciation and amortization				38,301
Interest expense				24,347
Restructuring and other costs				2,988
Other income, net				(6,292)
Income before income taxes				53,296

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

Six months ended February 28, 2022	**Television**	**Radio**	**Corporate**	**Consolidated**
Revenue	**774,408**	**51,126**	**—**	**825,534**
Direct cost of sales, general and administrative expenses	**502,799**	**45,255**	**13,754**	**561,808**
Segment profit (loss)	**271,609**	**5,871**	**(13,754)**	**263,726**
Depreciation and amortization				**77,128**
Interest expense				**51,281**
Restructuring and other costs				**2,054**
Other income, net				**(2,801)**
Income before income taxes				**136,064**

Six months ended February 28, 2021	Television	Radio	Corporate	Consolidated
Revenue	730,621	48,608	—	779,229
Direct cost of sales, general and administrative expenses	431,500	40,058	16,424	487,982
Segment profit (loss)	299,121	8,550	(16,424)	291,247
Depreciation and amortization				76,288
Interest expense				49,083
Restructuring and other costs				7,324
Other income, net				(6,857)
Income before income taxes				165,409

Revenue is derived from the following areas:

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2022	2021	**2022**	2021
Advertising	**205,539**	205,006	**518,313**	478,078
Subscriber	**132,823**	124,211	**260,358**	247,912
Merchandising, distribution and other	**23,299**	29,657	**46,863**	53,239
	361,661	358,874	**825,534**	779,229

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Six months ended	
		February 28,		**February 28,**
	2022	2021	**2022**	2021
Interest paid	**8,007**	14,568	**28,588**	29,728
Interest received	**75**	128	**91**	192
Income taxes paid	**18,949**	25,510	**33,960**	59,615

13. BUSINESS COMBINATIONS

Acquisition of 51% interest in Aircraft Pictures Limited ("Aircraft")

On February 1, 2022, the Company acquired a 51% interest in Aircraft for cash consideration of $2.2 million. The purchase was accounted for using the purchase method. This business is included in the Television segment effective February 1, 2022.

In connection with this business acquisition, the Company has established a liability for put options in respect of non-controlling interests. The Company has provided put options to the selling shareholders under which they could require the Company to acquire a further 29% of the non-controlling interests at, or after, a specified date. As at February 28, 2022, the fair value of the puttable shares held by the non-controlling shareholders are recorded as an other long-term liability in the amount of $1.7 million.

The Company has made an accounting policy choice to account for these put options as if exercised by the holders of the non-controlling interest. In accordance with IFRS 10 - *Consolidated Financial Statements*, any changes in the fair value of of the put option, net of the 29% non-controlling interest is reflected as a reallocation of equity interest at each period end.

Goodwill of $1.8 million, arising principally from the ability to leverage production content, the reputation of the principal employees and future growth, has been recorded in relation to this transaction.

14. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative interim condensed consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2022 interim condensed consolidated financial statements.