

report to shareholders

Fourth Quarter 2022

For the Three Months and Year Ended August 31, 2022
(Unaudited)

corus.



Table of Contents

3	Financial Highlights
4	Business Highlights
5	Management's Discussion and Analysis
6	Overview of Consolidated Results
9	Business Segment Information
10	Television
11	Radio
12	Corporate
12	Quarterly Consolidated Financial Information
13	Outlook
14	Financial Position
15	Liquidity and Capital Resources
16	Outstanding Share Data
16	Key Performance Indicators and Non-GAAP Financial Measures
20	Consolidated Financial Statements and Notes

FINANCIAL HIGHLIGHTS

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

(in thousands of Canadian dollars except per share amounts)

	Three months ended August 31,		Year ended August 31,	
	2022	2021	2022	2021
Revenue				
Television	314,170	335,844	1,492,708	1,446,287
Radio	25,424	25,411	105,878	97,196
	339,594	361,255	1,598,586	1,543,483
Segment profit (loss) ⁽¹⁾				
Television ^{(2) (3)}	59,018	110,026	458,145	549,159
Radio ^{(2) (3)}	1,729	4,316	13,267	14,151
Corporate ⁽²⁾	(4,558)	(11,642)	(27,769)	(38,692)
	56,189	102,700	443,643	524,618
Segment profit margin ⁽¹⁾				
Television	19%	33%	31%	38%
Radio	7%	17%	13%	15%
Consolidated	17%	28%	28%	34%
Net income (loss) attributable to shareholders	(367,065)	19,920	(245,058)	172,550
Adjusted net income (loss) attributable to shareholders ⁽¹⁾	(17,116)	21,669	106,938	182,218
Basic earnings (loss) per share	(\$1.82)	\$0.10	(\$1.19)	\$0.83
Adjusted basic earnings (loss) per share ⁽¹⁾	(\$0.08)	\$0.10	\$0.52	\$0.88
Diluted earnings (loss) per share	(\$1.82)	\$0.10	(\$1.19)	\$0.83
Free cash flow ⁽¹⁾	44,713	35,181	239,585	251,947

⁽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, adjusted net income (loss) attributable to shareholders, adjusted basic earnings (loss) per share, 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 and Non-GAAP Financial Measures section of the Company's Fourth Quarter 2022 Report to Shareholders.

⁽²⁾ No claims for the Canada Emergency Wage Subsidy ("CEWS") were made in fiscal 2022. In the prior year, segment profit for the fourth quarter included CEWS benefits of \$1.0 million (Television: \$1.1 million; Radio: \$0.2 million; Corporate reduction of \$0.3 million) and \$13.5 million for the year (Television: \$11.1 million; Radio: \$1.9 million; Corporate: \$0.5 million).

⁽³⁾ In the first three quarters of the prior year, segment profit included relief on regulatory fees. As a result, CRTC part I and II fees for the year ended August 31, 2022 have increased by \$9.6 million (Television: \$8.8 million; Radio: \$0.8 million) compared to the prior year.

BUSINESS HIGHLIGHTS

Digital Video Business

- **Corus and Paramount Global to launch Pluto TV in Canada.** Pluto TV, the world's leading FAST (free ad-supported streaming television) service, will launch in Canada on December 1, 2022. Corus' leading ad sales capabilities will be combined with Pluto TV's best-in-class platform and technology, serving compelling content to audiences and providing a differentiated model for advertisers. In addition, viewers will have access to a selection of Canadian series and shows from Corus' portfolio, spanning a variety of genres. The service will launch with more than 100 live channels and over 20,000 hours of content, available on all major platforms including web, mobile and connected TVs.
- **Corus launched TELETOON+.** Corus launched its new premium kids and family streaming service. TELETOON+ is available to subscribers through Amazon Prime Video Channels, Bell Fibe TV App or RiverTV. The Company's previous kids and family streaming service, Nick+, was transitioned to TELETOON+ effective September 1, 2022.
- **Expanded distribution of STACKTV to FuboTV.** Corus' premium multi-channel streaming service STACKTV is now available under a new premium subscription package with leading sports-first live streaming service, FuboTV.

International Content Business

- **Corus Studios** greenlights several new titles for international distribution, including new paranormal investigation series *Repossessed* (8x60), Season 2 of gold-hunting series *Deadman's Curse* (8x60), Season 4 of popular baking competition series *The Big Bake* (14x60), and a second season of trendy home renovation series *Styled* (8x60).

Ongoing Focus on Capital Management and Shareholder Value

- **Amended share buyback program.** Further to the renewal of Corus' normal course issuer bid in January, an amendment was approved by the TSX in August to increase the maximum number of Class B non-voting shares that may be repurchased to 19,339,410 or 10% of the Company's 'public float' as at January 3, 2022. At August 31, 2022, Corus had purchased and cancelled an aggregate of 8,141,900 Class B non-voting shares on the open market at a weighted average price per share of \$4.27.
- **Corus declared quarterly dividends.** Most recently, Corus announced its dividend of \$0.06 per Class B non-voting participating share and \$0.05875 per Class A participating share on June 29, 2022, paid on September 29, 2022 to shareholders of record at the close of business on September 15, 2022.

Advanced Focus on Sustainability

- **Corus gives back to local communities.** In the fourth quarter, Corus helped raise \$6.75 million for over 300 community giving initiatives as well as provided over 600 volunteer hours to 13 local organizations across Canada.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial position and results of operations for the three months and year ended August 31, 2022 is prepared as at October 20, 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 2023, subscriber revenue and anticipated subscription trends, distribution, production and other 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; the Company's ability to manage retention and reputation risks related to its on-air talent; 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 including: the impact of recessionary conditions and continuing supply chain constraints; the potential impact of new competition and industry mergers and acquisitions; changes to applicable tax, licensing and regulatory regimes; inflation and interest rates, stability of the advertising, subscription, production and distribution 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, retain and manage fluctuations in 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 manage retention and reputation risks related to its on-air talent; 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 it does 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 and complaints; failure to meet covenants under the Company's senior credit facility, senior unsecured notes or other instruments or facilities; epidemics, pandemics or other public health and safety crises in Canada and globally, including COVID-19; 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 Company's Management's Discussion and Analysis for the year ended August 31, 2021 (the "2021 MD&A") 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 fourth quarter of fiscal 2022 of \$339.6 million decreased 6% from \$361.3 million in the prior year's quarter. On a consolidated basis, advertising revenue decreased 12%, subscriber revenue was up 2% and distribution, production and other revenue was up 4% compared to the prior year's quarter. Revenue decreased 6% in Television and was consistent with the prior year's quarter in Radio.

For the year ended August 31, 2022, consolidated revenue of \$1,598.6 million increased 4% from \$1,543.5 million in the prior year. On a consolidated basis, advertising revenue increased 3%, subscriber revenue was up 4% and distribution, production and other revenue increased 8% from the prior year. Revenue increased 3% in Television and 9% in Radio. 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 fourth quarter of fiscal 2022 of \$283.4 million increased 10% from \$258.6 million in the prior year's quarter. On a consolidated basis, direct cost of sales increased 16%, employee costs decreased 2% and other general and administrative expenses increased 14%. The increase in direct cost of sales results from increases in amortization of program rights, amortization of film assets, production service work, and costs associated with certain sales initiatives. The decrease in employee costs was primarily due to lower short-term compensation accruals, lower share-based compensation expense, offset by the impact of the Canada Emergency Wage Subsidy ("CEWS") benefits of \$1.0 million in the fourth quarter of the prior year and labour costs. Other general and administrative expenses were higher as a result of increases in advertising and marketing costs, principally for STACKTV and certain program premieres on specialty networks, increased professional fees, as well as travel and entertainment costs, software and system license fees, partially offset by reduced common area rent costs.

For the year ended August 31, 2022, direct cost of sales, general and administrative expenses of \$1,154.9 million increased 13% from \$1,018.9 million in the prior year. On a consolidated basis, direct cost of sales increased 16%, employee costs increased 6%, while other general and administrative costs increased 20% from the prior year. The increase in direct cost of sales was driven principally by the increases in amortization of program rights, amortization of film assets, production service work, and costs associated with certain sales initiatives. The increase in employee costs was primarily attributable to the CEWS benefits of approximately \$13.5 million in the prior year, higher labour costs and increased commission costs, partially offset by lower short-term compensation accruals and share-based compensation expense in the current year. Other general and administrative expenses increased as a result of the return of Part I and Part II CRTC fees that added \$9.6 million compared to the prior year. In addition, increased spend on advertising and marketing costs, travel and entertainment costs, higher trade mark fees and tariff royalties that are positively correlated with revenue, as well as increased professional fees, software and system fees, and repairs and maintenance costs, partially offset by reduced common area rent costs. Further analysis of expenses is provided in the discussion of segmented results.

SEGMENT PROFIT

Segment profit for the fourth quarter of fiscal 2022 was \$56.2 million, a decrease of 45% from \$102.7 million in the prior year's quarter. The decrease in segment profit for the fourth quarter was principally a result of Television advertising revenue declines combined with an increase in program rights amortization. Segment profit margin for the fourth quarter of fiscal 2022 of 17% was down from 28% in the prior year's quarter.

For the year ended August 31, 2022, segment profit was \$443.6 million, a decrease of 15% from \$524.6 million in the prior year. The decrease in segment profit for the year was principally a result of an increase in amortization of program rights and film investments in the current year, as well as CEWS benefits and relief on CRTC fees received in the prior year. Segment profit margin of 28% for the year ended August 31, 2022 was down from 34% in the prior year. Further analysis is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended August 31, 2022 was \$39.9 million, an increase from \$37.9 million in the prior year's quarter. The increase was a result of an increase in the amortization of brands of \$2.5 million, offset by decreases in amortization of intangible assets and capital assets of \$0.5 million.

Depreciation and amortization expense for the year ended August 31, 2022 was \$156.9 million, an increase from \$152.3 million in the prior year. The increase was a result of higher amortization of brands of \$7.7 million, offset by lower amortization of capital assets of \$1.6 million and other intangible assets of \$1.5 million.

INTEREST EXPENSE

Interest expense for the three months ended August 31, 2022 of \$27.3 million increased from \$26.7 million in the prior year's quarter. The increase in interest expense in the quarter principally results from higher imputed interest of \$1.7 million on long-term liabilities associated with program rights, trade marks and right-of-use assets and the reversal of \$1.5 million in the prior comparable period of hedge ineffectiveness on interest rate swaps settled August 31, 2021, offset by lower interest on long-term debt of \$2.6 million. Interest on long-term debt is lower due to lower bank debt levels, partially offset by interest on the 5.0% Senior Unsecured Notes of \$500.0 million due 2028 issued in fiscal 2021 (the "2028 Notes") and the 6.0% Senior Unsecured Notes of \$250.0 million due 2030 (the "2030 Notes", together with the 2028 Notes collectively referred to hereafter as the "Notes") issued on February 28, 2022.

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*.

Interest expense for the year ended August 31, 2022 of \$107.1 million increased from \$104.1 million in the prior year. The increase principally results from higher imputed interest of \$3.9 million on long-term liabilities associated with program rights, trade marks and right-of-use assets as well as a \$2.9 million deferred gain amortization in the prior year, offset by lower interest on long-term debt of \$4.5 million in the current year. Interest on long-term debt is lower due to lower bank debt levels, partially offset by interest on the Notes. The Company used the net proceeds of the Notes to repay bank debt in the amount of \$245.6 million from the 2030 Notes issuance in fiscal 2022 and \$490.7 million from the 2028 Notes issuance in fiscal 2021.

The effective interest rate on bank loans and Notes for the three months and year ended August 31, 2022 was 4.9% and 4.5%, respectively, compared to 4.8% and 4.2% in the comparable periods of the prior year. The increase in the effective rates for the quarter and year results from higher interest rates on the Notes and higher floating interest rates, offset by lower overall rates on the bank loans resulting from a smaller portion thereof subject to fixed rate interest rate swaps.

BROADCAST LICENCES AND GOODWILL IMPAIRMENT

Broadcast licences and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. The macroeconomic environment became increasingly uncertain in the fourth quarter of fiscal 2022, characterized by persistently high inflation and continuing supply chain constraints, and as a result advertising demand and spending across the North American television media industry contracted meaningfully. In addition, there was a significant decline in the

Company's share price from August 31, 2021, which resulted in the Company's carrying value being greater than its current market enterprise value. As the Television operating segment had actual results that fell short of previous estimates and an outlook that is less robust, a non-cash goodwill impairment charge of \$350.0 million was recorded in the Television operating segment (refer to note 6 of the interim condensed consolidated financial statements).

The Company has completed its annual impairment testing of the Radio broadcast licences and goodwill for fiscal 2022 and determined that there were no impairment charges or recoveries required for the operating segment as at August 31, 2022.

DEBT REFINANCING

On March 18, 2022, the Company amended and restated its Credit Facility (refer to note 7 of the interim condensed consolidated financial statements for further details), which resulted in a non-cash gain on debt modification of \$4.2 million, offset by a write-off of unamortized debt financing fees of \$0.8 million.

On May 31, 2021, the Company amended its Credit Facility. This transaction resulted in a non-cash write off of unamortized debt financing fees of \$3.5 million, offset by a gain on debt modification of \$1.6 million.

RESTRUCTURING AND OTHER COSTS

For the three months and year ended August 31, 2022, the Company incurred \$1.8 million and \$8.1 million, respectively, of restructuring and other costs, compared to \$2.4 million and \$11.3 million in the comparable periods of the prior year. The current and prior year fiscal year costs relate to ongoing system integration costs, as well as restructuring costs associated with employee exits.

OTHER EXPENSE (INCOME), NET

Other expense for the three month period ended August 31, 2022 was \$9.3 million, compared to \$3.4 million in the prior year's quarter. The current quarter includes a net foreign exchange loss of \$6.6 million primarily related to the translation of USD denominated liabilities, a fair value loss on the Notes prepayment options of \$3.6 million, offset by other income of \$0.9 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 net foreign exchange loss of \$4.2 million and other income of \$0.8 million.

Other expense for the year ended August 31, 2022 was \$16.8 million compared to other income of \$8.2 million in the prior year. In the current year, other expense includes net foreign exchange losses of \$9.8 million, a fair value loss on the Notes prepayment options of \$7.3 million, and a trademark intangible write-off of \$2.2 million, as a result of the rebranding of DIY channel to Magnolia Network, offset by \$2.4 million from rental income, miscellaneous interest income and gains from asset sales, as discussed above. In the prior year, other income included net foreign exchange gains of \$5.1 million and income of \$3.1 million from rental income, gains related to net insurance proceeds received, the sale of property and miscellaneous interest income.

INCOME TAX EXPENSE (RECOVERY)

For the three months ended August 31, 2022, the Company has an effective income tax recovery rate of 1.6% compared to an effective income tax expense rate of 26.4% in the prior year's quarter. The Company's effective income tax recovery rate for the year ended August 31, 2022 is 21.0% compared to an effective income tax expense rate of 26.1% in the prior year. The difference between the statutory rate of 26.5% and effective tax rates in both the three months and year ended August 31, 2022 result from the impairment recorded on goodwill in the Television operating segment in the fourth quarter.

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

Net loss attributable to shareholders for the fourth quarter of fiscal 2022 was \$367.1 million (\$1.82 loss per share basic), compared to net income attributable to shareholders of \$19.9 million (\$0.10 per share basic) in the prior year's quarter. Net loss attributable to shareholders for the fourth quarter of fiscal 2022 includes a non-cash goodwill impairment charge of \$350.0 million (\$1.73 per share) in the Television operating segment and restructuring and other costs of \$1.8 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net loss attributable to shareholders of \$17.1 million (\$0.08 loss per share basic) in the quarter. Net income attributable to shareholders for the fourth quarter of fiscal 2021 includes restructuring and other costs of \$2.4 million (\$nil per share). Adjusting for the impact of this item results in an adjusted net income attributable to shareholders of \$21.7 million (\$0.10 per share basic) in the prior year quarter.

Net loss attributable to shareholders for the year ended August 31, 2022 was \$245.1 million (\$1.19 loss per share basic), compared to net income attributable to shareholders of \$172.6 million (\$0.83 per share basic) in the prior year. Net loss attributable to shareholders for the year ended August 31, 2022 includes a non-cash goodwill impairment charge of \$350.0 million (\$1.69 per share) in the Television operating segment, restructuring and other costs of \$8.1 million (\$0.03 per share) and a debt refinancing gain of \$3.4 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$106.9 million (\$0.52 per share basic) for the current fiscal year. Net income attributable to shareholders for the year ended August 31, 2021 includes restructuring and other costs of \$11.3 million (\$0.04 per share basic) and debt refinancing costs of \$1.9 million (\$0.01 per share). Adjusting for the impact of these items results in an adjusted net income attributable to shareholders of \$182.2 million (\$0.88 per share basic) for the prior year period.

The weighted average number of basic shares outstanding for the three months and year ended August 31, 2022 was 201,462,000 and 205,905,000, 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 August 2022.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAXES

Other comprehensive loss for the three months ended August 31, 2022 was \$1.3 million, compared to other comprehensive income of \$5.1 million in the prior year's quarter. For the three months ended August 31, 2022, other comprehensive loss includes an actuarial loss on the remeasurement of post-employment benefit plans of \$2.5 million and an unrealized loss on the change in the fair value of cash flow hedges of \$0.1 million, offset by an unrealized gain from foreign currency translation adjustments of \$1.3 million. In the prior year's quarter, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$5.5 million, an unrealized gain on the fair value of cash flow hedges of \$2.7 million, and an unrealized gain from foreign currency translation adjustments of \$1.2 million, offset by an unrealized loss on the change in fair value of financial assets of \$4.2 million.

Other comprehensive income for the year ended August 31, 2022 was \$15.7 million, compared to \$43.4 million in the prior year. For the year ended August 31, 2022, other comprehensive income includes an unrealized gain on the fair value of financial assets of \$5.0 million, an unrealized gain on the fair value of cash flow hedges of \$4.9 million, an actuarial gain on the remeasurement of post-employment benefit plans of \$4.5 million and an unrealized gain from foreign currency translation adjustments of \$1.3 million. In the year ended August 31, 2021, other comprehensive income includes an actuarial gain on the remeasurement of post-employment benefit plans of \$19.4 million, an unrealized gain on the fair value of financial assets of \$12.3 million and an unrealized gain on the fair value of cash flow hedges of \$14.4 million, offset by the amortization of a deferred gain on terminated interest rate swaps of \$2.1 million and an unrealized loss from foreign currency translation adjustments of \$0.5 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, streaming services, 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 as well as the provision of production services, 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 August 31,		Year ended August 31,	
(thousands of Canadian dollars)	2022	2021	2022	2021
Revenue				
Advertising	151,873	176,942	859,598	842,202
Subscriber	127,715	125,735	518,483	498,049
Distribution, production and other	34,582	33,167	114,627	106,036
Total revenue	314,170	335,844	1,492,708	1,446,287
Expenses	255,152	225,818	1,034,563	897,128
Segment profit ⁽¹⁾	59,018	110,026	458,145	549,159
Segment profit margin ⁽¹⁾	19%	33%	31%	38%

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

Revenue for the three months ended August 31, 2022, decreased 6% from the prior year's quarter as a result of a 14% decrease in advertising revenue, offset by an increase of 2% in subscriber revenue and a 4% increase in distribution, production and other revenue. Advertising demand and spending across the North American television media industry contracted in the quarter as a result of disruptions to consumer behaviour patterns and supply chains. The decrease in advertising revenue was attributable to persistent supply chain issues in the automotive category, as well as declines in the direct to consumer, food and beverages, communications, health and beauty, and travel categories, partially offset by increased advertising in the entertainment, packaged goods, and financial services categories. The growth on subscriber revenue results from continued growth on streaming services resulting from subscriber growth and the expansion of streaming services via new distributors. The increase in distribution, production and other revenue was primarily driven by service work revenue resulting from the business acquisition made in the second quarter of fiscal 2022 and revenue related to software support.

Revenue for the year ended August 31, 2022, increased 3% from the prior year as a result of growth of 2% in advertising revenue, 4% in subscriber revenue and 8% in distribution, production and other revenue. Growth in advertising revenue over the first three quarters of the year was eroded by a contraction of advertising demand and spend in the fourth quarter. The growth in advertising revenue for the year was driven by increased advertising in entertainment, financial services, retail, travel, and communications categories, offset by automotive, health and beauty, direct to consumer, and food and beverages categories. Subscriber revenue benefited from growth on streaming services from increased subscribers and the addition of new streaming services, as well as retroactive adjustments tied to distribution agreement renewals with large cable providers in the second and third quarters of the year, all which offset lower subscribers in the traditional linear system. The increase in distribution, production and other revenue was primarily attributable to production service work resulting from the business acquisition made in the second quarter of fiscal 2022 and revenue related to software support.

Expenses for the quarter were up 13% from the prior year's quarter as a result of an increase of 15% in direct cost of sales, 4% in employee costs and 21% in other general and administrative expenses. The increase in direct cost of sales was driven by a 13% (\$14.9 million) increase in amortization of program rights, a 58% (\$1.8 million) increase in amortization of film investments and a 39% (\$3.3 million) increase in other cost of sales. The increase in amortization of program rights was driven predominantly by an increase of Canadian content production, increased original programming deliveries and the extension of long-term output deals compared to the prior

year's quarter. The increase in amortization of film investments is a result of increased episodic deliveries compared to the prior year's quarter driven by the business acquisition made in the second quarter of fiscal 2022 and higher levels of in-house production at Nelvana. The increase in other cost of sales was principally a result of increased costs associated with certain sales initiatives. Employee costs increased primarily due to the CEWS benefits of \$1.1 million in the fourth quarter of the prior year and higher labour costs, offset by lower short-term compensation accruals and commissions. Other general and administrative expenses increased from the prior year's quarter primarily from an increase in marketing costs to promote specialty channel programming, continued promotion of STACKTV, as well as increases to CRTC Part I and II fees, copyright fees, fees related to streaming, digital services and system fees, travel and entertainment, and consulting costs.

Expenses for the year ended August 31, 2022, were up 15% from the prior year as a result of increases of 16% in direct cost of sales, 11% in employee costs and 22% in other general and administrative expenses. The increase in direct cost of sales was driven by a 13% (\$64.1 million) increase in amortization of program rights, an 85% (\$11.0 million) increase in amortization of film investments and a 29% (\$9.0 million) increase in other cost of sales. The increase in amortization of program rights was driven predominantly by the increase of Canadian content production, increased original programming deliveries and the extension of long-term output deals compared to the prior year. The increase in amortization of film investments was driven mainly by the business acquisition made in the second quarter of fiscal 2022. The increase in other cost of sales was principally a result of costs associated with certain sales initiatives. The increase in employee costs was due to the CEWS benefits of \$11.1 million in the prior year, as well as higher labour and commission costs, partially offset by lower short-term compensation accruals compared to the prior year. The increase in other general and administrative expenses was a result of the \$8.8 million increase in CRTC Part I and II fees as relief was provided in the prior year, as well as increases in marketing costs, travel and entertainment, fees related to streaming and digital services, trade mark fees, facility costs, and consulting costs.

Segment profit⁽¹⁾ was down 46% for the fourth quarter of fiscal 2022 and down 17% for the year ended August 31, 2022. The decrease for the quarter was primarily a result of a contraction in advertising demand, an increase in amortization of program rights and growth in general and administrative expenses. The decrease for the year was primarily a result of an increase in amortization of program rights and film investments, CEWS benefits and relief on CRTC fees in the prior year as discussed above. Segment profit margin⁽¹⁾ for the three months and year ended August 31, 2022 was 19% and 31%, respectively, down from 33% and 38% in the comparable periods of the prior year.

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

RADIO

FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
	August 31,		August 31,	
(thousands of Canadian dollars)	2022	2021	2022	2021
Revenue	25,424	25,411	105,878	97,196
Expenses	23,695	21,095	92,611	83,045
Segment profit ⁽¹⁾	1,729	4,316	13,267	14,151
Segment profit margin ⁽¹⁾	7%	17%	13%	15%

⁽¹⁾As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

Revenue in the three months ended August 31, 2022, was consistent with the prior year's comparable quarter. Softness in airtime revenue was offset by growth on digital advertising revenue. Advertising revenue in the quarter was driven by the entertainment, travel and restaurant categories, offset by declines in the telecommunications, automotive, food, and professional services categories. Revenue for the year ended August 31, 2022, increased 9% from the previous year. Advertising revenue growth in the year was driven by the entertainment, professional services, travel, general services and retail categories, muted by continued declines in the automotive and food categories.

Direct cost of sales and general and administrative expenses in the three months and year ended August 31, 2022 increased \$2.6 million and \$9.6 million, respectively, compared to the same comparable prior year periods. The increase in the quarter was primarily due to increased labour costs, which included CEWS benefit of \$0.2 million in the prior year's quarter, increased marketing expenses, as well as increased sports rights costs due to the return of normal league schedules compared to the prior year's quarter. The increase for the year was

primarily due to increased labour costs, which included CEWS benefit in the prior year of \$1.9 million, increased sports rights costs, increased tariff royalties levied under the *Copyright Act* that are positively correlated with movements in revenue and the increase of \$0.8 million in CRTC Part I and II fees as relief was provided in the prior year.

Radio's segment profit⁽¹⁾ in the three months and year ended August 31, 2022 decreased by \$2.6 million and \$0.9 million, respectively, from the same comparable prior year periods primarily as expense growth exceeded revenue growth. Segment profit margin⁽¹⁾ for the quarter and the year ended August 31, 2022 was 7% and 13%, respectively, down from 17% and 15% in the comparable periods of the prior year.

⁽¹⁾ As defined in the "Key Performance Indicators and Non-GAAP Financial Measures" section of this report.

CORPORATE

FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
	August 31,		August 31,	
(thousands of Canadian dollars)	2022	2021	2022	2021
Share-based compensation	(297)	3,312	4,196	17,734
Other general and administrative costs	4,855	8,330	23,573	20,958
	4,558	11,642	27,769	38,692

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 months and year ended August 31, 2022 by \$3.6 million and \$13.5 million, respectively, from the comparable prior year periods. The decreases in both the quarter and year result from the decrease 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 7 to the interim condensed consolidated financial statements for further details on this swap arrangement).

Other general and administrative costs decreased \$3.5 million in the quarter, but increased \$2.6 million for the year ended August 31, 2022 from the prior year. The decrease in the quarter is principally due to lower short-term compensation accruals and reduced common area rent costs, offset by increases in professional fees. The increase in the year ended August 31, 2022 relates to higher labour costs, which included the benefit of CEWS in the prior year of \$0.5 million, increases in professional fees and directors fees, offset by lower short-term compensation accruals and a reduction in common area rent 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 distribution and production revenue is dependent on the number and timing of film and television programs delivered. Consequently, the Company's results may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods.

The following table sets forth certain unaudited data derived from the Company's interim condensed consolidated financial statements for each of the eight most recent quarters ended August 31, 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)

	Revenue	Segment profit ⁽¹⁾	Net income (loss) attributable to shareholders	Adjusted net income (loss) attributable to shareholders ⁽¹⁾	Earnings (loss) per share					Free cash flow ⁽¹⁾
					Basic	Diluted	Adjusted basic ⁽¹⁾			
2022										
4th quarter	339,594	56,189	(367,065)	(17,116)	\$ (1.82)	\$ (1.82)	\$ (0.08)			44,713
3rd quarter	433,458	123,728	29,621	30,159	\$ 0.14	\$ 0.14	\$ 0.15			27,468
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

⁽¹⁾ As defined in "Key Performance Indicators and Non-GAAP Financial Measures" of this report.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income attributable to shareholders for the fourth quarter of fiscal 2022 was negatively impacted by a non-cash television goodwill impairment charge of \$350.0 million (\$1.73 per share) and restructuring and other costs of \$1.8 million (\$0.01 per share).
- Net income attributable to shareholders for the third quarter of fiscal 2022 was negatively impacted by restructuring and other costs of \$4.2 million (\$0.02 per share) and was positively impacted by a debt refinancing gain of \$3.4 million (\$0.01 per share).
- 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).

OUTLOOK

The Company currently anticipates that in fiscal 2023, programming costs will grow modestly on a full-year basis, with approximately half of this driven by the CRTC's decision requiring the Company to make up Canadian programming expenditures ("CPE") shortfalls from fiscal 2020 that resulted from COVID-19 disruptions in productions. In addition, due to the general macroeconomic conditions and other risks, the Company currently anticipates some year-over-year softness in Television advertising revenue, including lower Television advertising revenue for the first quarter of the new fiscal year.

FINANCIAL POSITION

Total assets at August 31, 2022 were \$3.5 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 August 31, 2022 were \$404.5 million, up \$5.6 million from August 31, 2021.

Cash and cash equivalents increased by \$11.2 million from August 31, 2021. Refer to the discussion of cash flows in the next section.

Accounts receivable decreased \$14.6 million from August 31, 2021. The decrease was primarily a result of a decrease in trade accounts receivable, offset by a \$6.9 million increase 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 \$8.2 million from August 31, 2021, of which \$13.2 million relates to a business acquisition, offset by tax credit receipts exceeding accruals relating to film productions.

Investments and other assets decreased \$34.7 million from August 31, 2021, principally as a result of a distribution of \$44.2 million from a venture fund investment, a decrease in the net asset position of certain post employment benefits of \$2.0 million and adjustments of \$6.2 million to certain other investments, offset by a \$12.9 million fair value adjustment to venture funds, as well as the \$3.9 million change in fair value of both the foreign exchange forward contracts and the prepayment option on the Notes.

Property, plant and equipment decreased \$22.2 million from August 31, 2021 as a result of depreciation expense exceeding additions.

Program rights increased \$84.6 million from August 31, 2021, as additions of acquired rights of \$644.5 million were offset by amortization of \$559.8 million.

Film investments increased \$19.4 million from August 31, 2021, as film additions (net of tax credit accruals) of \$36.6 million were offset by film amortization of \$23.9 million and \$6.7 million was added related to a business acquisition.

Intangibles decreased \$66.6 million from August 31, 2021, principally as a result of amortization of \$117.7 million exceeding renewals and extensions of several trade mark output agreements of \$46.0 million and net additions to other assets of \$5.1 million.

Goodwill decreased \$348.7 million from August 31, 2021 as a result of a non-cash goodwill impairment charge of \$350.0 million in the television operating segment, offset by an addition of \$1.4 million related to a business acquisition.

Accounts payable and accrued liabilities increased \$17.1 million from August 31, 2021, principally as a result of higher program rights payable and trade marks payable, offset by decreases in the software license liability, trade accounts payable and other accrued liabilities, which include other working capital accruals, unremitted sales taxes and short-term compensation accruals.

Provisions, including the long-term portion, increased \$1.7 million from August 31, 2021, principally as a result of restructuring-related additions exceeding payments.

Long-term debt, including the current portion, as at August 31, 2022 was \$1,261.7 million compared to \$1,349.3 million as at August 31, 2021. As at August 31, 2022, the \$15.6 million classified as the current portion of long-term debt is comprised of interim production financing. During the year ended August 31, 2022, the Company repaid bank debt and interim production financing of \$354.8 million, issued 2030 Notes of \$250.0 million that resulted in the additions of deferred fees of \$5.9 million and the fair value of prepayment options of \$9.6 million, extended the Credit Facility that resulted in a net gain of \$3.4 million on debt modification, added \$13.5 million in production financing related to a business acquisition and amortized \$3.3 million of deferred financing charges.

Other long-term liabilities increased \$45.1 million from August 31, 2021, primarily from increases in long-term program rights payable and trade mark liabilities resulting from renewals and extensions of output deals, and an increase in unearned revenue, offset by adjustments in the fair value of foreign exchange forward contracts derivatives, the reduction of long-term lease liabilities and employee obligations.

Share capital decreased by \$34.3 million from August 31, 2021 as a result of 8.14 million shares repurchased under the NCIB and an estimated 0.6 million shares that the Company has committed to purchase under an automatic share purchase plan during the Company's quarterly blackout period from September 1, 2022 through October 21, 2022. Contributed surplus decreased by \$1.0 million primarily as a result of the repurchases under the NCIB, offset by share-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by \$11.2 million for the year ended August 31, 2022. Free cash flow⁽¹⁾ for the three months and year ended August 31, 2022 was \$44.7 million and \$239.6 million, respectively, compared to \$35.2 million and \$251.9 million in the same comparable prior year periods. The increase in free cash flow⁽¹⁾ in the fourth quarter is attributable to an increase of \$5.7 million in cash provided by operating activities and a decrease of \$9.7 million in cash used in investment activities. The decrease in free cash flow⁽¹⁾ for the year ended August 31, 2022 is mainly attributable to a decrease in cash provided by operating activities of \$57.7 million, offset by a \$43.5 million venture fund distribution.

Cash provided by operating activities for the three months and year ended August 31, 2022 was \$55.8 million and \$216.8 million, respectively, compared to \$50.1 million and \$274.5 million for the same comparable prior year periods. The increase in the current quarter of \$5.7 million arises from an increase in cash provided by the net change of non-cash working capital of \$29.3 million, offset by a decrease in cash provided from operations of \$23.6 million, which includes a lower net income from operations, adjusted for non-cash items of \$19.3 million and higher spend on film investments of \$5.4 million, offset by lower spend on program rights of \$1.1 million. For the year ended August 31, 2022, the \$57.7 million decrease in cash provided by operating activities arises from a decrease of cash provided by the net change in non-cash working capital of \$27.2 million and lower cash provided by operations of \$30.5 million, which includes a higher spend on program rights and film investments of \$30.4 million and \$23.5 million, respectively, offset by a higher net income from operations, adjusted for non-cash items of \$22.4 million.

Cash used in investing activities for the three months ended August 31, 2022 was \$11.4 million compared to \$21.1 million in the prior year. The decrease in cash used in the quarter of \$9.7 million is primarily due to decreases of \$5.1 million in net cash outflows for intangibles, investments and other assets and \$4.4 million in additions to property, plant and equipment compared to the prior year's quarter. Cash provided by investing activities for the year ended August 31, 2022 was \$25.2 million compared to cash used in investing activities of \$29.5 million in the prior year. The increase of \$54.7 million in the year was attributable to the venture fund distribution of \$43.5 million, a decrease of \$5.9 million in net cash outflows for intangibles, investments and other assets, an increase of \$3.6 million from a business combination, net of cash acquired, and a decrease of cash used for additions to property, plant and equipment of \$1.7 million.

Cash used in financing activities in the three months and year ended August 31, 2022 was \$41.2 million and \$230.8 million, respectively, compared to \$69.4 million and \$247.2 million for the same comparable prior year periods. The decrease in the current quarter of \$28.2 million arises principally from lower repayments on bank loans of \$41.3 million, offset by increases in share repurchases of \$11.6 million and \$2.0 million in lower funding from a non-controlling interest. The decrease of \$16.4 million in the year arises principally from decreases of repayments of bank loans of \$295.8 million and financing fees of \$6.2 million, offset by a \$250.0 million decrease in financing from the issuance of Notes and an increase of share repurchases of \$34.7 million.

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

LIQUIDITY

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and total long-term debt, less cash and cash equivalents.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital using several key performance metrics, including: net debt to segment profit ratio and dividend yield. The Company's stated long-term objectives are a leverage target (net debt to segment profit

ratio) below 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 August 31, 2022, the Company was in compliance with all loan covenants, had a cash and cash equivalents balance of \$54.9 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 the existing Credit Facility 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 Facility, refer to note 7 of the Company's interim condensed consolidated financial statements.

TOTAL CAPITALIZATION

As at August 31, 2022, total capitalization was \$2,245.1 million compared to \$2,669.5 million at August 31, 2021, a decrease of \$424.4 million. The decrease in total capitalization is principally related to an increase in accumulated deficit of \$291.5 million, a reduction share capital of \$34.3 million resulting from the purchase and cancellation of Class B Non-Voting Participating Shares under the NCIB, a decrease in total debt and lease liabilities of \$96.8 million, offset by an increase in cash and cash equivalents of \$11.2 million.

OUTSTANDING SHARE DATA

	As at August 31,	
(shares/units)	2022	2021
Shares Outstanding		
Class A Voting Shares	3,371,526	3,412,392
Class B Non-Voting Shares ⁽¹⁾	196,093,632	204,954,666
Stock Options		
Vested	4,852,325	4,203,200
Non-vested	2,730,775	3,022,450

⁽¹⁾ Outstanding shares differ from those reported in the financial statements as financial statements include shares purchased, but not yet cancelled.

KEY PERFORMANCE INDICATORS AND NON-GAAP FINANCIAL MEASURES

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Company also provides non-IFRS or non-GAAP 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.

The Company also uses supplementary financial measures to disclose financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-GAAP financial measure. The Company has disclosed optimized advertising revenue and new platform revenue as supplementary financial measures as discussed below.

OPTIMIZED ADVERTISING REVENUE

Optimized advertising revenue is calculated as advertising revenue attributable to audience segment selling and to the Cynch automated buying platform expressed as a percentage of Television advertising revenue. The Company believes this is an important measure to enable the Company and investors to evaluate performance on how Television advertising is sold.

(thousands of Canadian dollars, except percentages)	Three months ended			Year ended		
	2022	August 31, 2021	% change	2022	August 31, 2021	% change
Optimized advertising revenue (numerator)	76,660	60,995	26%	371,540	263,734	41%
Television advertising revenue (denominator)	151,873	176,942	(14%)	859,598	842,202	2%
Optimized advertising revenue percentage	50%	34%		43%	31%	

NEW PLATFORM REVENUE

This metric combines subscriber revenue from 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.

(thousands of Canadian dollars, except percentages)	Three months ended			Year ended		
	2022	August 31, 2021	% change	2022	August 31, 2021	% change
New platform revenue (numerator)	33,061	29,965	10%	142,284	107,807	32%
Television advertising revenue	151,873	176,942	(14%)	859,598	842,202	2%
Television subscriber revenue	127,715	125,735	2%	518,483	498,049	4%
Total Television advertising and subscriber revenue (denominator)	279,588	302,677	(8%)	1,378,081	1,340,251	3%
New platform revenue percentage	12%	10%		10%	8%	

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 dispositions; and certain other income and expenses as included in note 11 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 13 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.

(thousands of Canadian dollars, except percentages)	Three months ended		Year ended	
	2022	August 31, 2021	2022	August 31, 2021
Revenue	339,594	361,255	1,598,586	1,543,483
Direct cost of sales, general and administrative expenses	283,405	258,555	1,154,943	1,018,865
Segment profit	56,189	102,700	443,643	524,618
Segment profit margin	17%	28%	28%	34%

FREE CASH FLOW

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

	Three months ended August 31,		Year ended August 31,	
(thousands of Canadian dollars)	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities	55,835	50,091	216,835	274,493
Investing activities	(11,442)	(21,149)	25,172	(29,526)
	44,393	28,942	242,007	244,967
Add (deduct): cash used in (provided by) business acquisitions and strategic investments ⁽¹⁾	320	6,239	(2,422)	6,980
Free cash flow	44,713	35,181	239,585	251,947

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

ADJUSTED NET INCOME (LOSS) AND ADJUSTED BASIC EARNINGS (LOSS) 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 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 August 31,		Year ended August 31,	
(thousands of Canadian dollars, except per share amounts)	2022	2021	2022	2021
Net income (loss) attributable to shareholders	(367,065)	19,920	(245,058)	172,550
Adjustments, net of income tax:				
Goodwill impairment	348,597	—	348,597	—
Debt refinancing	—	—	(2,526)	1,389
Restructuring and other costs	1,352	1,749	5,925	8,279
Adjusted net income (loss) attributable to shareholders	(17,116)	21,669	106,938	182,218
Basic earnings (loss) per share	(\$1.82)	\$0.10	(\$1.19)	\$0.83
Adjustments, net of income tax:				
Goodwill impairment	\$1.73	—	\$1.69	—
Debt refinancing	—	—	(\$0.01)	\$0.01
Restructuring and other costs	\$0.01	—	\$0.03	\$0.04
Adjusted basic earnings (loss) per share	(\$0.08)	\$0.10	\$0.52	\$0.88

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 August 31, 2022	As at August 31, 2021
Total debt, net of unamortized financing fees and prepayment options	1,261,650	1,349,293
Lease liabilities	134,369	143,546
Cash and cash equivalents	(54,912)	(43,685)
Net debt	1,341,107	1,449,154
Net debt (numerator)	1,341,107	1,449,154
Segment profit (denominator) ⁽¹⁾	443,643	524,618
Net debt to segment profit	3.02	2.76

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

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at August 31, 2022	As at August 31, 2021
(unaudited - in thousands of Canadian dollars)		
ASSETS		
Current		
Cash and cash equivalents	54,912	43,685
Accounts receivable	311,015	325,587
Income taxes recoverable	17,180	5,597
Prepaid expenses and other assets	21,423	24,106
Total current assets	404,530	398,975
Tax credits receivable	32,744	24,501
Investments and other assets (note 4)	63,931	98,667
Property, plant and equipment	294,026	316,226
Program rights	660,722	576,076
Film investments	59,122	39,732
Intangibles	1,620,796	1,687,432
Goodwill (notes 5 and 6)	316,308	664,958
Deferred income tax assets	50,301	50,050
	3,502,480	3,856,617
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	526,899	509,817
Current portion of long-term debt (note 7)	15,574	35,328
Provisions	8,540	7,202
Total current liabilities	551,013	552,347
Long-term debt (note 7)	1,246,076	1,313,965
Other long-term liabilities	376,570	331,482
Provisions	9,830	9,497
Deferred income tax liabilities	415,010	428,963
Total liabilities	2,598,499	2,636,254
EQUITY		
Share capital (note 8)	781,918	816,189
Contributed surplus	1,511,481	1,512,431
Accumulated deficit	(1,574,358)	(1,282,897)
Accumulated other comprehensive income	33,000	21,811
Total equity attributable to shareholders	752,041	1,067,534
Equity attributable to non-controlling interest	151,940	152,829
Total equity	903,981	1,220,363
	3,502,480	3,856,617

See accompanying notes

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended		Year ended	
	August 31,		August 31,	
	2022	2021	2022	2021
(unaudited - in thousands of Canadian dollars, except per share amounts)				
Revenue	339,594	361,255	1,598,586	1,543,483
Direct cost of sales, general and administrative expenses (note 9)	283,405	258,555	1,154,943	1,018,865
Depreciation and amortization	39,857	37,850	156,937	152,255
Interest expense (note 10)	27,313	26,665	107,108	104,078
Goodwill impairment (note 6)	350,000	—	350,000	—
Debt refinancing (note 7)	—	—	(3,428)	1,885
Restructuring and other costs	1,839	2,379	8,062	11,264
Other expense (income), net (notes 4 and 11)	9,255	3,415	16,847	(8,197)
Income (loss) before income taxes	(372,075)	32,391	(191,883)	263,333
Income tax expense (recovery) (note 12)	(5,968)	8,538	40,355	68,760
Net income (loss) for the period	(366,107)	23,853	(232,238)	194,573
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to income (loss):				
Unrealized change in fair value of cash flow hedges (note 5)	(116)	2,680	4,891	12,320
Unrealized foreign currency translation adjustment	1,256	1,190	1,296	(517)
	1,140	3,870	6,187	11,803
Items that will not be reclassified to income (loss):				
Unrealized change in fair value of financial assets	(17)	(4,202)	5,002	12,266
Actuarial gain (loss) on post-retirement benefit plans	(2,461)	5,459	4,466	19,359
	(2,478)	1,257	9,468	31,625
Other comprehensive income (loss), net of income taxes	(1,338)	5,127	15,655	43,428
Comprehensive income (loss) for the period	(367,445)	28,980	(216,583)	238,001
Net income (loss) attributable to:				
Shareholders	(367,065)	19,920	(245,058)	172,550
Non-controlling interest	958	3,933	12,820	22,023
	(366,107)	23,853	(232,238)	194,573
Comprehensive income (loss) attributable to:				
Shareholders	(368,403)	25,047	(229,403)	215,978
Non-controlling interest	958	3,933	12,820	22,023
	(367,445)	28,980	(216,583)	238,001
Earnings (loss) per share attributable to shareholders:				
Basic	(\$1.82)	\$0.10	(\$1.19)	\$0.83
Diluted	(\$1.82)	\$0.10	(\$1.19)	\$0.83

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 (loss)	—	—	(245,058)	15,655	(229,403)	12,820	(216,583)
Dividends declared	—	—	(49,561)	—	(49,561)	(19,772)	(69,333)
Business acquisition	—	—	—	—	—	864	864
Change in fair value of put option liability arising from business acquisition (note 13)	—	—	(1,308)	—	(1,308)	(520)	(1,828)
Shares repurchased under normal course issuer bid ("NCIB") (note 8)	(32,047)	(2,719)	—	—	(34,766)	—	(34,766)
Share repurchase commitment under NCIB	(2,224)	504	—	—	(1,720)	—	(1,720)
Actuarial gain on post-retirement benefit plans	—	—	4,466	(4,466)	—	—	—
Share-based compensation expense	—	1,265	—	—	1,265	—	1,265
Equity funding by a non-controlling interest	—	—	—	—	—	5,719	5,719
As at August 31, 2022	781,918	1,511,481	(1,574,358)	33,000	752,041	151,940	903,981

(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	—	—	172,550	43,428	215,978	22,023	238,001
Dividends declared	—	—	(49,991)	—	(49,991)	(17,676)	(67,667)
Actuarial gain on post-retirement benefit plans	—	—	19,359	(19,359)	—	—	—
Share-based compensation expense	—	1,106	—	—	1,106	—	1,106
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 August 31, 2021	816,189	1,512,431	(1,282,897)	21,811	1,067,534	152,829	1,220,363
See accompanying notes							

CORUS ENTERTAINMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended	
	August 31,		August 31,	
(unaudited - in thousands of Canadian dollars)	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net income (loss) for the period	(366,107)	23,853	(232,238)	194,573
Adjustments to reconcile net income (loss) to cash flow from operations:				
Amortization of program rights (note 9)	133,597	118,437	559,810	493,598
Amortization of film investments (note 9)	4,794	3,027	23,929	12,927
Depreciation and amortization	39,857	37,850	156,937	152,255
Deferred income tax expense (recovery)	(3,095)	621	(10,437)	(22,035)
Goodwill impairment (note 6)	350,000	—	350,000	—
Share-based compensation expense	330	276	1,265	1,106
Imputed interest (note 10)	11,234	9,535	46,201	42,288
Debt refinancing	—	—	(3,428)	1,885
Payment of program rights	(160,640)	(161,793)	(564,214)	(533,837)
Net spend on film investments	(1,771)	3,629	(41,168)	(17,690)
Other	1,802	(1,884)	7,628	(316)
Cash flow from operations	10,001	33,551	294,285	324,754
Net change in non-cash working capital balances related to operations	45,834	16,540	(77,450)	(50,261)
Cash provided by operating activities	55,835	50,091	216,835	274,493
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(8,944)	(13,370)	(17,810)	(19,554)
Proceeds from sale of property	174	(3)	299	316
Business combination, net of cash acquired (note 15)	—	—	3,606	—
Venture fund distribution (note 4)	—	—	43,478	—
Net cash flows for intangibles, investments and other assets	(2,672)	(7,776)	(4,401)	(10,288)
Cash provided by (used in) investing activities	(11,442)	(21,149)	25,172	(29,526)
FINANCING ACTIVITIES				
Decrease in bank loans	(7,216)	(48,471)	(354,846)	(650,634)
Financing fees	—	—	(5,892)	(12,119)
Issuance of senior unsecured notes	—	—	250,000	500,000
Share repurchase under NCIB	(11,610)	—	(34,691)	—
Return of capital to non-controlling interest	—	—	—	(1,622)
Equity funding by a non-controlling interest	—	1,976	3,742	4,102
Payment of lease liabilities	(4,422)	(4,109)	(17,031)	(16,245)
Dividends paid	(12,150)	(12,498)	(49,561)	(49,991)
Dividends paid to non-controlling interest	(5,627)	(6,133)	(19,772)	(17,676)
Other	(149)	(140)	(2,729)	(2,997)
Cash used in financing activities	(41,174)	(69,375)	(230,780)	(247,182)
Net change in cash and cash equivalents during the period	3,219	(40,433)	11,227	(2,215)
Cash and cash equivalents, beginning of the period	51,693	84,118	43,685	45,900
Cash and cash equivalents, end of the period	54,912	43,685	54,912	43,685

Supplemental cash flow disclosures (note 14)

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

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 months and year ended August 31, 2022 were authorized for issue in accordance with a resolution of the Company's Board of Directors on October 20, 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.

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

IFRS 3 – Business Combinations ("IFRS 3")

Amendments to IFRS 3 were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 – *Provisions, Contingent Liabilities and Contingent Assets* be used to identify liabilities and contingent assets arising from business combinations. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

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 were issued 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 were issued 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.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)

Amendments to IAS 37 were issued in May 2020, and are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no 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)	10	(30,458)	(4,288)	(34,736)
Balance – August 31, 2022	23	30,862	33,046	63,931

In the second quarter of fiscal 2022, the Company recognized the fair value of prepayment options on the 5.0% Senior Unsecured Notes of \$500.0 million due 2028 issued in fiscal 2021 (the “2028 Notes”) and the 6.0% Senior Unsecured Notes of \$250.0 million due 2030 (the “2030 Notes”), together with the 2028 Notes collectively referred to hereafter as the “Notes”), with initial value of \$9.6 million. The fair value as at August 31, 2022 was \$2.3 million. Changes in fair value are recognized through other expense in the consolidated statements of income (loss) and comprehensive income (loss).

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

In the first quarter of fiscal 2022, the Company received a return of capital of \$43.5 million (USD \$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 income tax, recognized through other comprehensive income (loss).

5. GOODWILL

	Total
Balance - August 31, 2021	664,958
Acquisition (note 15)	1,350
Impairments (note 6)	(350,000)
Balance - August 31, 2022	316,308

Goodwill is located primarily in Canada.

6. IMPAIRMENT TESTING

The test for impairment of either an intangible asset or goodwill is to compare the recoverable amount of the asset or cash generating unit ("CGU") or groups of CGUs to the carrying value. The recoverable amount is the higher of an asset's or CGU's, or groups of CGUs fair value less costs to sell ("FVLCS") and its value in use ("VIU"). In fiscal 2022, the Company determined the VIU calculation was higher than FVLCS and, therefore, the recoverable amount for all CGUs or groups of CGUs was based on VIU. The recoverable amount for the Television CGU was less than the Television CGU carrying value, while the recoverable amount for the Radio group of CGUs was greater than the Radio group CGUs carrying value.

In determining FVLCS, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The VIU calculation uses cash flow projections, generally for a five-year period, and a terminal value. The terminal value is the value attributed to the individual CGU's or groups of CGU's operations beyond the projected period using a perpetual growth rate. The key assumptions in the VIU calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value) and discount rates.

Segment profit growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU or groups of CGUs operates. The projections are prepared separately for each of the Company's CGUs or groups of CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Company's Board of Directors and management forecasts generally covering a period of five years with growth rate assumptions. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year.

The discount rate applied to each asset, CGU or group of CGUs to determine VIU is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's or groups of CGU's cash flow projections.

In calculating the VIU, the Company uses an appropriate range of discount rates in order to establish ranges of values for each CGU or group of CGUs.

The pre-tax discount and growth rates used by the Company for the purpose of its VIU calculations of the Television CGU generally range from 12% to 15% (2021 – 12% to 13%) and nil to 1% (2021 – nil to 1%), respectively.

The pre-tax discount and growth rates included in the VIU calculation of the Radio groups of CGUs generally ranged from 12% to 15% (2021 13% – 15%) and nil to 1% (2021 – nil to 1%), respectively.

As a result of the goodwill impairment testing in the fourth quarter of fiscal 2022 of the Television CGU, the Company has recorded a goodwill impairment charge of \$350.0 million in the Television segment that reduced the carrying value of goodwill of this CGU to its recoverable amount. No goodwill or broadcast

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

licence impairments were identified on the Radio groups of CGUs. The Company also assessed for any indicators of whether previous impairment losses had decreased. No previously recorded impairment losses on broadcast licences were reversed.

Sensitivity to changes in assumptions

Due to the uncertainty related to the macroeconomic environment, characterized by persistently high inflation and continuing supply chain constraints, and as a result of advertising demand and spending across the North American television media industry which has contracted meaningfully, the Company has noted there is significant estimation uncertainty related to the Company's growth rates and future cash flow estimates, which could change in the near term and the effect of such changes could be material. An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the earnings growth rate each year, or a decrease of 50 basis points in the terminal growth rate, each used in isolation to perform the Radio broadcast licence and both the Television and Radio goodwill impairment tests, would have resulted in an additional incremental goodwill impairment charge in the Television CGU between \$40.0 million and \$126.0 million.

The carrying amount of broadcast licenses and goodwill allocated to each CGU and/or group of CGUs are set out in the following tables:

	August 31, 2022	August 31, 2021
Broadcast licences		
Television	852,905	852,905
Radio		
Toronto	21,775	21,775
Vancouver	21,303	21,303
	895,983	895,983

	August 31, 2022	August 31, 2021
Goodwill (note 5)		
Television	295,209	643,859
Radio	21,099	21,099
	316,308	664,958

7. LONG-TERM DEBT

	August 31, 2022	August 31, 2021
Senior unsecured notes	750,000	500,000
Bank loans	505,577	865,491
Interim production financing	15,574	—
Unamortized financing fees and prepayment options	(9,501)	(16,198)
	1,261,650	1,349,293
Less: current portion of long-term debt ⁽¹⁾	(15,574)	(35,328)
	1,246,076	1,313,965

⁽¹⁾ In fiscal 2022, this relates to interim production financing

Interest rates on the bank loans fluctuate with Canadian bankers' acceptances. As at August 31, 2022, the weighted average interest rate on outstanding bank loans and Notes was 5.6% (August 31, 2021 – 4.1%). Interest on the bank loans and Notes for the three months and year ended August 31, 2022 was 4.9% and 4.5%, respectively (August 31, 2021 – 4.8% and 4.2%, respectively).

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

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 March 18, 2022 (the "Credit Facility"), as amended from time to time. Under the Credit 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 Credit Facility as at August 31, 2022.

CREDIT FACILITIES AND SENIOR UNSECURED NOTES

On May 31, 2021, the Credit Facility 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.

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.

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

In fiscal 2021, transactions noted above resulted in the Company recording net debt refinancing costs of \$1.9 million, which included the non-cash write-off of unamortized financing fees of \$3.5 million, offset by the refinancing gain recognized on the modification of the Credit Facility of \$1.6 million.

In fiscal 2022, the repayment of the Term Facility from the net proceeds of the 2030 Notes resulted in the Company recording net debt refinancing costs of \$0.8 million for the non-cash write-off of unamortized financing fees. The March 18, 2022 amendment and restatement of the Facility resulted in the Company recording a net debt refinancing gain of approximately \$4.2 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 a redemption price that is no less than 101% of the principal amount of the 2030 Notes being redeemed, plus accrued and unpaid

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

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 value of the prepayment options related to the Notes was a \$9.6 million increase to indebtedness. This liability has been subsequently amortized using the effective interest rate method and as at August 31, 2022 was \$8.6 million.

Term Facility

As at August 31, 2022, the Term Facility balance was \$505.6 million with a maturity date of 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

With the amendment and restatement of the Credit 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 August 31, 2022, all of the Revolving Facility was available and could be drawn.

Interim Production Financing

A non-wholly owned subsidiary of Corus has incurred revolving demand loans with certain financial institutions as interim financing for film or television productions. As at August 31, 2022, three interim financing agreements for television productions are drawn in the total amount of \$15.6 million. Amounts drawn under these loans bear interest at the 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 had a Canadian interest rate swap agreement to fix the interest rate on a portion of its outstanding term loan facilities, which expired on August 31, 2022. The counterparties of the swap agreement were highly rated financial institutions and the Company did 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. In fiscal 2022, the Company had assessed that there was no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap agreement were recognized in other comprehensive income (loss). The estimated fair value of these agreements as at August 31, 2022 was \$nil (August 31, 2021 – \$6.7 million liability). The effectiveness of the hedging relationship was reviewed on a quarterly basis.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

TOTAL RETURN SWAPS

The Company has total return swap agreements on 3,597,500 share units to offset its exposure to changes in the fair value of certain cash settled share-based compensation awards. The estimated fair value of these Level 1 financial instruments will fluctuate with the market price of the Company's shares. The counterparties of these swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. The estimated fair value of these agreements as at August 31, 2022 was a liability of \$4.0 million (August 31, 2021 – asset of \$4.9 million), which has been recorded in the interim condensed consolidated statements of financial position as an other long-term liability and within employee costs in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) (note 9).

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 August 31, 2022, the total amount of foreign exchange forward contracts outstanding was \$80.5 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 August 31, 2022 was an asset of \$1.6 million (August 31, 2021 – liability of \$2.6 million), which has been recorded in the interim condensed consolidated statements of financial position as investment and other assets, and within other expense (income), net (note 11) in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

8. 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	(40,866)	(113)	40,866	113	—
Shares repurchased under NCIB	—	—	(8,141,900)	(32,047)	(32,047)
Share repurchase commitment under NCIB	—	—	(565,000)	(2,224)	(2,224)
Balance – August 31, 2022	3,371,526	9,326	196,288,632	772,592	781,918

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

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 August 31,		Year ended August 31,	
	2022	2021	2022	2021
Net income attributable to shareholders (numerator)	(367,065)	19,920	(245,058)	172,550
Weighted average number of shares outstanding (denominator)				
Weighted average number of shares outstanding – basic	201,462	208,367	205,905	208,367
Effect of dilutive securities	109	751	337	288
Weighted average number of shares outstanding – diluted	201,571	209,118	206,242	208,655

The calculation of diluted earnings per share for the three months and year ended August 31, 2022 excluded 6,140 and 6,335, respectively (August 31, 2021 – 3,667 and 4,881, 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 June 30, 2022, the Company declared quarterly dividends of \$0.05875 and \$0.06 per share payable September 29, 2022 to holders of its Class A and Class B Shares, respectively.

SHARE-BASED COMPENSATION

Share-based compensation recorded for the fourth quarter and fiscal 2022 in respect of the Performance Share Units, Deferred Share Units and Restricted Share Units plans was income of \$297 and an expense of \$4,196 (2021 – \$3,312 and \$17,734). As at August 31, 2022, the carrying value of the liability for these plans was \$16,949 (August 31, 2021 – \$33,908).

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 August 9, 2022, the Company announced that the TSX had accepted the notice filed by the Company to amend its NCIB for its Class B Non-Voting Participating Shares. The principle amendment increases the maximum number of Class B Non-Voting Shares that may be repurchased from 9,669,705 Class B Non-Voting Shares to 19,339,410 Class B Non-Voting Shares.

On August 31, 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 trading 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 August 31, 2022, the Company had committed to purchase and cancel Class B Non-Voting Participating Shares of approximately \$1,720. 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 August 31, 2022, however actual amounts settled in the subsequent quarter will differ based on the share price and maximum volume parameters under the ASPP.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

The shares purchased for cancellation are as follows:

	#	\$	Average per share \$
January 2022	300,000	1,480	4.93
February 2022	949,600	4,878	5.14
March 2022	395,000	1,967	4.98
April 2022	500,000	2,275	4.55
May 2022	3,223,000	13,379	4.15
June 2022	1,454,600	5,882	4.04
July 2022	874,700	3,184	3.64
August 2022	445,000	1,721	3.87
September 2022 ⁽¹⁾	565,000	1,720	3.04
	8,706,900	36,486	4.19

⁽¹⁾ Amount estimated under ASPP commitment. Actual amount will differ due to actual shares purchased and average per share price.

During fiscal 2022, the total cash consideration paid exceeded the carrying value of the shares repurchased by \$2,719 (2021 – \$nil), which was charged to contributed surplus.

9. DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended August 31,		Year ended August 31,	
	2022	2021	2022	2021
Direct cost of sales				
Amortization of program rights	133,597	118,437	559,810	493,598
Amortization of film investments	4,794	3,027	23,929	12,927
Other cost of sales	12,734	9,329	43,488	33,861
General and administrative expenses				
Employee costs ⁽¹⁾	84,889	86,333	341,565	322,842
Other general and administrative ⁽²⁾	47,391	41,429	186,151	155,637
	283,405	258,555	1,154,943	1,018,865

⁽¹⁾ 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 \$1.0 million (Television: \$1.1 million; Radio: \$0.2 million; Corporate reduction of \$0.3 million) and \$13.5 million year-to-date (Television: \$11.1 million; Radio: \$1.9 million; Corporate: \$0.5 million) of CEWS.

⁽²⁾ In the first three quarters of the prior year, other general and administrative expenses included relief on regulatory fees. As a result, CRTC part I and II fees for the year ended August 31, 2022 have increased by \$9.6 million compared to the prior year.

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

10. INTEREST EXPENSE

	Three months ended		Year ended	
	August 31,		August 31,	
	2022	2021	2022	2021
Interest on long-term debt (note 7)	15,607	18,239	58,481	62,967
Imputed interest on long-term liabilities	11,234	9,535	46,201	42,288
Amortization of deferred gain on settled interest rate swap	—	—	—	(2,853)
Ineffective portion of interest rate hedge	—	(1,523)	—	—
Other	472	414	2,426	1,676
	27,313	26,665	107,108	104,078

11. OTHER EXPENSE (INCOME), NET

	Three months ended		Year ended	
	August 31,		August 31,	
	2022	2021	2022	2021
Foreign exchange loss (gain) (note 7)	6,602	4,210	9,821	(5,059)
Equity gain of associates	(3)	(1)	(41)	(40)
Trademark intangible write-off	—	—	2,204	—
Fair value loss on Notes prepayment options	3,572	—	7,301	—
Other income	(916)	(794)	(2,438)	(3,098)
	9,255	3,415	16,847	(8,197)

12. INCOME TAXES

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

	2022		Year ended	
	August 31,		August 31,	
	\$	%	\$	%
Income tax at combined federal and provincial rates	(50,665)	26.4	69,496	26.4
Income subject to tax at less than statutory rates	(919)	0.5	(916)	(0.3)
Non-deductible (taxable) portion of capital gains	(4)	—	313	0.1
Impact of valuation allowance recorded against future income tax assets	890	(0.5)	(431)	(0.2)
Goodwill impairment	91,003	(47.4)	—	—
Transaction costs	(57)	—	(194)	—
Increase of various tax reserves	(119)	—	93	—
Miscellaneous differences	226	—	399	0.1
	40,355	(21.0)	68,760	26.1

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

13. BUSINESS SEGMENT INFORMATION

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

TELEVISION

The Television segment comprises 33 specialty television networks (34 services prior to December 31, 2020), 15 conventional television stations, streaming services, 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 August 31, 2022	Television	Radio	Corporate	Consolidated
Revenue	314,170	25,424	—	339,594
Direct cost of sales, general and administrative expenses	255,152	23,695	4,558	283,405
Segment profit (loss)	59,018	1,729	(4,558)	56,189
Depreciation and amortization				39,857
Interest expense				27,313
Goodwill impairment				350,000
Restructuring and other costs				1,839
Other expense, net				9,255
Loss before income taxes				(372,075)

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

Three months ended August 31, 2021	Television	Radio	Corporate	Consolidated
Revenue	335,844	25,411	—	361,255
Direct cost of sales, general and administrative expenses	225,818	21,095	11,642	258,555
Segment profit (loss)	110,026	4,316	(11,642)	102,700
Depreciation and amortization				37,850
Interest expense				26,665
Restructuring and other costs				2,379
Other expense, net				3,415
Income before income taxes				32,391

Year ended August 31, 2022	Television	Radio	Corporate	Consolidated
Revenue	1,492,708	105,878	—	1,598,586
Direct cost of sales, general and administrative expenses	1,034,563	92,611	27,769	1,154,943
Segment profit (loss)	458,145	13,267	(27,769)	443,643
Depreciation and amortization				156,937
Interest expense				107,108
Goodwill impairment				350,000
Debt refinancing				(3,428)
Restructuring and other costs				8,062
Other expense, net				16,847
Loss before income taxes				(191,883)

Year ended August 31, 2021	Television	Radio	Corporate	Consolidated
Revenue	1,446,287	97,196	—	1,543,483
Direct cost of sales, general and administrative expenses	897,128	83,045	38,692	1,018,865
Segment profit (loss)	549,159	14,151	(38,692)	524,618
Depreciation and amortization				152,255
Interest expense				104,078
Debt refinancing				1,885
Restructuring and other costs				11,264
Other income, net				(8,197)
Income before income taxes				263,333

Revenue is derived from the following areas:

	Three months ended August 31,		Year ended August 31,	
	2022	2021	2022	2021
Advertising	175,964	200,991	960,192	934,151
Subscriber	127,715	125,735	518,483	498,049
Distribution, production and other	35,915	34,529	119,911	111,283
	339,594	361,255	1,598,586	1,543,483

CORUS ENTERTAINMENT INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
August 31, 2022

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

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended		Year ended	
	August 31,		August 31,	
	2022	2021	2022	2021
Interest paid	13,476	12,361	61,235	56,890
Interest received	359	351	518	634
Income taxes paid	16,382	29,534	64,257	107,362

15. 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 August 31, 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 \$1.8 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 the put option, net of the 29% non-controlling interest is reflected as a reallocation of equity interest at each period end.

Goodwill of \$1.4 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.

16. 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.

17. SUBSEQUENT EVENT

The Company has entered into \$250.0 million of interest rate swap agreements effective November 30, 2022 to fix the interest rate on a portion of its outstanding term loan facilities, which expire on February 26, 2027. The counterparties of the swap agreement are highly rated financial institutions and the Company does not anticipate any non-performance.