COGECO COMMUNICATIONS

# SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2019

# FINANCIAL HIGHLIGHTS

| (in thousands of dollars, except percentages and per share data) | Three months ended May 31, 2019 $ | May 31, 2018[1] $ | Change % | Change in constant currency[2] % | Foreign exchange impact[2] $ | Nine months ended May 31, 2019 $ | May 31, 2018[1] $ | Change % | Change in constant currency[2] % | Foreign exchange impact[2] $ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | | | | |
| Revenue | 587,345 | 567,079 | 3.6 | 1.7 | 10,849 | 1,748,147 | 1,581,220 | 10.6 | 8.3 | 35,006 |
| Adjusted EBITDA[3] | 283,927 | 267,933 | 6.0 | 4.3 | 4,514 | 832,330 | 743,407 | 12.0 | 10.0 | 14,811 |
| Adjusted EBITDA margin[3] | 48.3% | 47.2% | | | | 47.6% | 47.0% | | | |
| Integration, restructuring and acquisition costs[4] | 1,003 | 2,260 | (55.6) | | | 10,438 | 18,651 | (44.0) | | |
| Profit for the period from continuing operations | 99,571 | 70,525 | 41.2 | | | 264,505 | 308,708 | (14.3) | | |
| Profit (loss) for the period from discontinued operations | 82,451 | (5,365) | — | | | 73,460 | (23,329) | — | | |
| Profit for the period | 182,022 | 65,160 | — | | | 337,965 | 285,379 | 18.4 | | |
| Profit for the period attributable to owners of the Corporation | 179,064 | 61,825 | — | | | 325,583 | 279,132 | 16.6 | | |
| **Cash flow** | | | | | | | | | | |
| Cash flow from operating activities | 265,551 | 167,073 | 58.9 | | | 564,009 | 365,310 | 54.4 | | |
| Acquisitions of property, plant and equipment[5] | 96,116 | 98,660 | (2.6) | (5.2) | 2,629 | 289,446 | 295,489 | (2.0) | (4.9) | 8,413 |
| Free cash flow[3] | 136,999 | 102,408 | 33.8 | 33.4 | 421 | 369,809 | 254,111 | 45.5 | 44.9 | 1,551 |
| **Capital intensity[3]** | 16.4% | 17.4% | | | | 16.6% | 18.7% | | | |
| **Financial condition[6]** | | | | | | | | | | |
| Cash and cash equivalents | | | | | | 447,737 | 84,725 | — | | |
| Total assets | | | | | | 6,887,752 | 7,180,043 | (4.1) | | |
| Indebtedness[7] | | | | | | 3,513,567 | 3,914,711 | (10.2) | | |
| Equity attributable to owners of the Corporation | | | | | | 2,180,933 | 1,997,169 | 9.2 | | |
| **Per Share Data[8]** | | | | | | | | | | |
| Earnings (loss) per share | | | | | | | | | | |
| Basic | | | | | | | | | | |
| From continuing operations | 1.96 | 1.36 | 44.1 | | | 5.11 | 6.14 | (16.8) | | |
| From discontinued operations | 1.67 | (0.11) | — | | | 1.49 | (0.47) | — | | |
| From continuing and discontinued operations | 3.62 | 1.25 | — | | | 6.59 | 5.66 | 16.4 | | |
| Diluted | | | | | | | | | | |
| From continuing operations | 1.94 | 1.35 | 43.7 | | | 5.07 | 6.08 | (16.6) | | |
| From discontinued operations | 1.65 | (0.11) | — | | | 1.48 | (0.47) | — | | |
| From continuing and discontinued operations | 3.59 | 1.24 | — | | | 6.54 | 5.61 | 16.6 | | |
| Dividends | 0.525 | 0.475 | 10.5 | | | 1.575 | 1.425 | 10.5 | | |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections of the MD&A.

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and nine-month periods ended May 31, 2018, the average foreign exchange rates used for translation were 1.2846 USD/CDN and 1.2664 USD/CDN, respectively.

(3) The indicated terms do not have standardized definitions prescribed by the International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

(4) For the three and nine-month periods ended May 31, 2019 integration, restructuring and acquisition costs were mostly due to restructuring costs in the Canadian broadband services segment and were related to an operational optimization program during the first half of fiscal 2019. For the three and nine-month periods ended May 31, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

(5) For the three and nine-month periods ended May 31, 2019, acquisitions of property, plant and equipment in constant currency amounted to $93.5 million and $281.0 million, respectively.

(6) At May 31, 2019 and August 31, 2018.

(7) Indebtedness is defined as the aggregate of bank indebtedness, balance due on a business combination and principal on long-term debt.

(8) Per multiple and subordinate voting share.

# MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Three and nine-month periods ended May 31, 2019

# 1. FORWARD-LOOKING STATEMENTS

*Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" of the Corporation's 2018 annual MD&A, the "Fiscal 2019 Revised Financial Guidelines" section of the second quarter of fiscal 2019 MD&A and the "Fiscal 2020 Preliminary Financial Guidelines" section of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2018 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.*

*All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three and nine-month periods ended May 31, 2019 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2018 Annual Report.*

# 2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") mission is to connect its customers to the digital world and create outstanding communication experiences. Our vision is to deliver value to our shareholders by: 1) creating exceptional customer experience, 2) augmenting our geographic reach in Canada and the United States, 3) expanding into new market segments, and 4) mobilizing highly engaged teams. To achieve this, we are pursuing the following strategies:

| Canadian broadband services | American broadband services |
|---|---|
| Delivering organic growth by introducing value added services for residential customers and by growing our business customer base | Leveraging Internet superiority to support loyalty and promote growth |
| Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy | Focusing on business services in the enterprise market with expanded sales channels, enhanced product offerings and aggressive market pricing strategy |
| Exploring a potential wireless service in a profitable manner and within our financial means | Building on initial successes in expanding the Florida market |
| Investing in the development of our people | Improving our networks with state-of-the-art advanced technologies |

The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA(1), free cash flow(1) and capital intensity(1) on a constant currency basis(1).

## 2.1 KEY PERFORMANCE INDICATORS

### REVENUE

For the first nine months of fiscal 2019, revenue increased by 10.6% (8.3% in constant currency) resulting from:

- a growth of 28.7% (22.8% in constant currency) in the American broadband services segment mainly due to the impact of the MetroCast cable systems acquisition ("the MetroCast acquisition") completed on January 4, 2018 which was included in revenue for only a five-month period for the comparable period of the prior year and the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition") completed on October 3, 2018; partly offset by
- a decrease of 0.5% (0.5% in constant currency) in the Canadian broadband services segment mainly as a result of:
    - a decline in primary service units in the first quarter of fiscal 2019 from lower service activations primarily due to the implementation of a new customer management system in the second half of fiscal 2018; and
    - the impact of the timing of rate increases implemented in fiscal 2019 compared to the same period of the prior year; partly offset by
    - higher net pricing from consumer sales.

### ADJUSTED EBITDA

For the first nine months of fiscal 2019, adjusted EBITDA increased by 12.0% (10.0% in constant currency) as a result of:

- an increase of 35.0% (28.9% in constant currency) in the American broadband services segment mainly as a result of the impact of the MetroCast and FiberLight acquisitions; and
- an increase of 0.3% (0.5% in constant currency) in the Canadian broadband services segment resulting mainly from a reduction in operating expenses.

### FREE CASH FLOW

For the first nine months of fiscal 2019, free cash flow increased by 45.5% (44.9% in constant currency) compared to the same period of the prior year mainly due to the following:

- higher adjusted EBITDA;
- the decrease in current income taxes expense; and
- the decrease in integration, restructuring and acquisition costs.

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the “Non-IFRS financial measures” section.

### CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For the first nine months of fiscal 2019, acquisitions of property, plant and equipment decreased by 2.0% (4.9% in constant currency) mainly due to lower capital expenditures in the American broadband services segment, partly offset by higher capital expenditures in the Canadian broadband services segment. For the first nine months of fiscal 2019, capital intensity reached 16.6% compared to 18.7% for the same period of the prior year mainly as a result of revenue growth combined with lower capital expenditures.

In the American broadband services segment, the acquisitions of property, plant and equipment decreased by 9.3% (13.4% in constant currency), compared to the prior year mainly due to:

- the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US$16.8 million) during the second quarter of fiscal 2018; partly offset by
- additional capital expenditures related to the impact of the MetroCast acquisition; and
- additional capital expenditures related to the expansion in Florida.

In the Canadian broadband services segment, the acquisitions of property, plant and equipment increased by 4.5% (2.7% in constant currency) resulting from:

- additional investments to improve and expand the network infrastructure; and
- costs related to the new Internet protocol television ("IPTV") platform; partly offset by
- lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
- lower purchases of customer premise equipment due to the timing of certain initiatives.

For further details on the Corporation's capital expenditures please refer to the "Cash flow analysis" section.

# 3. BUSINESS DEVELOPMENTS AND OTHER

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million which resulted in a gain on disposal of $82.4 million in the third quarter of fiscal 2019.

Operating and financial results as well as cash flows from Cogeco Peer 1 from both the current and comparable periods are therefore presented as discontinued operations.

For further details on the Business ICT services operating results, please refer to the "Discontinued operations" section.

# 4. OPERATING AND FINANCIAL RESULTS

## 4.1 OPERATING RESULTS

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 587,345 | 567,079 | 3.6 | 1.7 | 10,849 |
| Operating expenses | 298,444 | 294,819 | 1.2 | (0.9) | 6,335 |
| Management fees – Cogeco Inc. | 4,974 | 4,327 | 15.0 | 15.0 | — |
| Adjusted EBITDA | 283,927 | 267,933 | 6.0 | 4.3 | 4,514 |
| Adjusted EBITDA margin | 48.3% | 47.2% | | | |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 1,748,147 | 1,581,220 | 10.6 | 8.3 | 35,006 |
| Operating expenses | 901,147 | 823,648 | 9.4 | 7.0 | 20,195 |
| Management fees – Cogeco Inc. | 14,670 | 14,165 | 3.6 | 3.6 | — |
| Adjusted EBITDA | 832,330 | 743,407 | 12.0 | 10.0 | 14,811 |
| Adjusted EBITDA margin | 47.6% | 47.0% | | | |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

## REVENUE

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 325,808 | 329,144 | (1.0) | (1.0) | — |
| American broadband services | 261,537 | 237,809 | 10.0 | 5.4 | 10,849 |
| Inter-segment eliminations and other | — | 126 | (100.0) | (100.0) | — |
| | 587,345 | 567,079 | 3.6 | 1.7 | 10,849 |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 975,032 | 980,165 | (0.5) | (0.5) | — |
| American broadband services | 773,115 | 600,929 | 28.7 | 22.8 | 35,006 |
| Inter-segment eliminations and other | — | 126 | (100.0) | (100.0) | — |
| | 1,748,147 | 1,581,220 | 10.6 | 8.3 | 35,006 |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter revenue increased by 3.6% (1.7% in constant currency) resulting from:

- a growth in the American broadband services segment mainly due to strong organic growth and the FiberLight acquisition; partly offset by
- a decrease in the Canadian broadband services segment mainly as a result of:
  - decreases in video and telephony services customers primarily due to the implementation of a new customer management system in the second half of fiscal 2018; partly offset by
  - rate increases; and
  - higher net pricing from consumer sales.

For the first nine months of fiscal 2019, revenue increased by 10.6% (8.3% in constant currency) resulting from:

- a growth in the American broadband services segment mainly due to the impact of the MetroCast acquisition which was included in revenue for only a five-month period for the comparable period of the prior year combined with organic growth and the FiberLight acquisition; partly offset by
- a decrease in the Canadian broadband services segment mainly as a result of:
    - a decline in primary service units in the first quarter of fiscal 2019 from lower service activations primarily due to the implementation of a new customer management system; and
    - the impact of the timing of rate increases implemented in fiscal 2019 compared to the same period of the prior year; partly offset by
    - higher net pricing from consumer sales.

For further details on the Corporation's revenue, please refer to the "Segmented operating and financial results" section.

## OPERATING EXPENSES

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 147,054 | 156,391 | (6.0) | (6.1) | 277 |
| American broadband services | 145,836 | 131,613 | 10.8 | 6.2 | 6,055 |
| Inter-segment eliminations and other | 5,554 | 6,815 | (18.5) | (18.6) | 3 |
| | 298,444 | 294,819 | 1.2 | (0.9) | 6,335 |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 458,471 | 465,326 | (1.5) | (1.7) | 1,029 |
| American broadband services | 422,993 | 341,666 | 23.8 | 18.2 | 19,152 |
| Inter-segment eliminations and other | 19,683 | 16,656 | 18.2 | 18.1 | 14 |
| | 901,147 | 823,648 | 9.4 | 7.0 | 20,195 |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter operating expenses increased by 1.2% (decrease of 0.9% in constant currency) mainly from:

- additional costs in the American broadband services segment mainly due to marketing initiatives, programming costs, additional headcount to support growth and the FiberLight acquisition; partly offset by
- lower operating expenses in the Canadian broadband services segment mainly attributable to lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019 and lower programming costs as a result of lower primary service units.

For the first nine months of fiscal 2019, operating expenses increased by 9.4% (7.0% in constant currency) mainly from:

- a growth in the American broadband services segment mainly due to the impact of the MetroCast acquisition which was included in operating expense for only a five-month period for the comparable period of the prior year combined with programming costs, additional headcount to support growth and the FiberLight acquisition; and
- additional costs in Inter-segment eliminations and other resulting from efficiency projects and the timing of certain initiatives; partly offset by
- lower operating expenses in the Canadian broadband services segment mainly attributable to lower programming costs resulting from a lower level of primary service units and lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019, partly offset by additional headcount costs to support the stabilization phase of the new customer management system as well as retroactive costs related to higher rates than expected established by the Copyright Board of Canada.

For further details on the Corporation's operating expenses, please refer to the "Segmented operating and financial results" section.

## MANAGEMENT FEES

For the third quarter and first nine months of fiscal 2019, management fees paid to Cogeco Inc. reached $5.0 million and $14.7 million, respectively, compared to $4.3 million and $14.2 million for the same periods of fiscal 2018. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

## ADJUSTED EBITDA

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 178,754 | 172,753 | 3.5 | 3.6 | (277) |
| American broadband services | 115,701 | 106,196 | 9.0 | 4.4 | 4,794 |
| Inter-segment eliminations and other | (10,528) | (11,016) | (4.4) | (4.5) | (3) |
| | 283,927 | 267,933 | 6.0 | 4.3 | 4,514 |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Canadian broadband services | 516,561 | 514,839 | 0.3 | 0.5 | (1,029) |
| American broadband services | 350,122 | 259,263 | 35.0 | 28.9 | 15,854 |
| Inter-segment eliminations and other | (34,353) | (30,695) | 11.9 | 11.9 | (14) |
| | 832,330 | 743,407 | 12.0 | 10.0 | 14,811 |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA increased by 6.0% and 12.0%, respectively, (4.3% and 10.0% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of strong organic growth combined with the impact of the FiberLight acquisition; and
- an increase in the Canadian broadband services segment resulting mainly from a reduction in operating expenses.

The increase for the first nine months of fiscal 2019 in the American broadband services segment was also attributable to the impact of the MetroCast acquisition.

For further details on the Corporation's adjusted EBITDA, please refer to the "Segmented operating and financial results" section.

## 4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the third quarter and first nine months of fiscal 2019, integration, restructuring and acquisition costs amounted to $1.0 million and $10.4 million, respectively, mostly due to restructuring costs in the Canadian broadband services segment from an operational optimization program during the first half of fiscal 2019. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed to create a leaner, more efficient and agile organization pursuant to its digital transformation.

For the third quarter and first nine months of fiscal 2018, integration, restructuring and acquisition costs amounted to $2.3 million and $18.7 million, respectively, due to the MetroCast acquisition completed on January 4, 2018.

## 4.3 DEPRECIATION AND AMORTIZATION

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 (1) | Change | **May 31, 2019** | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages)* | **$** | $ | % | **$** | $ | % |
| Depreciation of property, plant and equipment | **104,861** | 101,193 | 3.6 | **316,734** | 280,827 | 12.8 |
| Amortization of intangible assets | **14,280** | 14,624 | (2.4) | **42,435** | 32,756 | 29.5 |
| | **119,141** | 115,817 | 2.9 | **359,169** | 313,583 | 14.5 |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 third-quarter depreciation and amortization expense increased by 2.9% mostly as a result of the impact of the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

For the first nine months of fiscal 2019, depreciation and amortization expense increased by 14.5% resulting mainly from the impact of the MetroCast acquisition combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

## 4.4 FINANCIAL EXPENSE

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 (1) | Change | **May 31, 2019** | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages)* | **$** | $ | % | **$** | $ | % |
| Interest on long-term debt | **43,988** | 55,964 | (21.4) | **135,491** | 133,553 | 1.5 |
| Net foreign exchange gains | **(2,085)** | (1,847) | 12.9 | **(2,341)** | (2,616) | (10.5) |
| Amortization of deferred transaction costs | **466** | 438 | 6.4 | **1,372** | 1,443 | (4.9) |
| Capitalized borrowing costs | **(224)** | (338) | (33.7) | **(522)** | (1,912) | (72.7) |
| Other | **(52)** | 6,044 | — | **1,065** | 7,279 | (85.4) |
| | **42,093** | 60,261 | (30.1) | **135,065** | 137,747 | (1.9) |

(1) Fiscal 2018 was restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.

For the third quarter and first nine months of fiscal 2019, financial expense decreased by 30.1% and 1.9%, respectively, mainly due to:

- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018;
- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019 and of US$328 million during the third quarter of fiscal 2019 following the sale of Cogeco Peer 1; and
- early reimbursement of the US$400 million Senior Unsecured Notes during the third quarter of fiscal 2018 which resulted in a $6.2 million redemption premium and the write-off of the unamortized deferred transaction costs of $2.5 million; partly offset by
- higher debt outstanding and interest rates on the First Lien Credit Facilities following the MetroCast acquisition; and
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year.

## 4.5 INCOME TAXES

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 (1) | Change | May 31, 2019 | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages)* | $ | $ | % | $ | $ | % |
| Current | 12,156 | 11,420 | 6.4 | 41,758 | 58,987 | (29.2) |
| Deferred | 9,963 | 7,650 | 30.2 | 21,395 | (94,269) | — |
| | 22,119 | 19,070 | 16.0 | 63,153 | (35,282) | — |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 (1) | Change | May 31, 2019 | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages)* | $ | $ | % | $ | $ | % |
| Profit before income taxes | 121,690 | 89,595 | 35.8 | 327,658 | 273,426 | 19.8 |
| Combined Canadian income tax rate | 26.5% | 26.5% | — | 26.5% | 26.5% | — |
| Income taxes at combined Canadian income tax rate | 32,247 | 23,743 | 35.8 | 86,829 | 72,458 | 19.8 |
| Adjustment for losses or profit subject to lower or higher tax rates | (960) | 776 | — | 62 | (76) | — |
| Impact on deferred taxes as a result of changes in substantively enacted tax rates | (287) | — | — | — | (94,175) | (100.0) |
| Impact on income taxes arising from non-deductible expenses and non-taxable profit | (1,606) | 2,200 | — | (785) | 2,067 | — |
| Tax impacts related to foreign operations | (7,255) | (6,530) | 11.1 | (21,116) | (15,274) | 38.2 |
| Other | (20) | (1,119) | (98.2) | (1,837) | (282) | — |
| | 22,119 | 19,070 | 16.0 | 63,153 | (35,282) | — |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 third-quarter income taxes expense increased by 16.0% compared to the same period of the prior year mainly attributable to:

- the increase in profit before income taxes which is mostly related to the growth in the American broadband services segment and the decrease in financial expense, partly offset by the increase in depreciation and amortization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

For the first nine months of fiscal 2019, income taxes expense amounted to $63.2 million compared to a recovery of $35.3 million for the same period of the prior year mainly attributable to:

- the effect of the federal rate reduction in the second quarter of fiscal 2018 in the United States;
- the increase in profit before income taxes which is mostly related to the impact of the MetroCast acquisition completed in the second quarter of fiscal 2018, partly offset by the increase in depreciation and amortization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

On March 19, 2019, the Canada Ministry of Finance confirmed the announcement during its 2018 Fall Economic Update that Canadian businesses will temporarily be allowed to accelerate tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018, phasing out during the period from 2023 to 2028. The federal accelerated tax depreciation will have a favorable impact on the current income tax expense of the Corporation in fiscal 2019 and was accounted for in the third quarter of this fiscal year since the new legislation has been considered as substantively enacted on April 8, 2019. On March 21, 2019, the Québec Ministry of Finance confirmed that it will harmonize with the Federal legislation.

On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017 which reduced net deferred tax liabilities by approximately $94 million (US$74 million) in the second quarter of fiscal 2018. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, had an overall favorable impact on the income tax expense.

## 4.6 PROFIT FOR THE PERIOD

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 (1) | Change | May 31, 2019 | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages and earnings per share)* | $ | $ | % | $ | $ | % |
| Profit for the period from continuing operations | **99,571** | 70,525 | 41.2 | **264,505** | 308,708 | (14.3) |
| Profit for the period | **182,022** | 65,160 | — | **337,965** | 285,379 | 18.4 |
| Profit for the period from continuing operations attributable to owners of the Corporation | **96,613** | 67,190 | 43.8 | **252,123** | 302,461 | (16.6) |
| Profit for the period attributable to owners of the Corporation | **179,064** | 61,825 | — | **325,583** | 279,132 | 16.6 |
| Profit for the period from continuing operations attributable to non-controlling interest[2] | **2,958** | 3,335 | (11.3) | **12,382** | 6,247 | 98.2 |
| Basic earnings per share from continuing operations | **1.96** | 1.36 | 44.1 | **5.11** | 6.14 | (16.8) |
| Basic earnings per share | **3.62** | 1.25 | — | **6.59** | 5.66 | 16.4 |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) The non-controlling interest represents a participation of 21% in Atlantic Broadband's results by Caisse de dépot et placement du Québec ("CDPQ"), effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 third-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 41.2% and 43.8%, respectively, as a result of:

- higher adjusted EBITDA; and
- the decrease in financial expense; partly offset by
- the increases in income taxes and in depreciation and amortization.

Fiscal 2019 third-quarter profit for the period and profit for the period attributable to owners of the Corporation amounted to $182.0 million and $179.1 million, respectively, compared to $65.2 million and $61.8 million for the comparable period of the prior year mainly due to a profit for the period from discontinued operations of $82.5 million resulting from the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $5.4 million for the comparable period of the prior year in addition to the same elements mentioned above.

For the first nine months of fiscal 2019, profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation decreased by 14.3% and 16.6%, respectively, as a result of:

- last year's $94 million income tax reduction following the United States tax reform; and
- the increase in depreciation and amortization mostly related to the impact of the MetroCast acquisition; partly offset by
- higher adjusted EBITDA mainly as a result of the impact of the MetroCast acquisition; and
- the decrease in integration, restructuring and acquisition costs.

For the first nine months of fiscal 2019, profit for the period and profit for the period attributable to owners of the Corporation increased by 18.4% and 16.6%, respectively, mainly due to a profit for the period from discontinued operations of $73.5 million resulting from the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $23.3 million for the comparable period of the prior year in addition to the same elements mentioned above.

# 5. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.7% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). Following the sale of Cogeco Peer 1, the Corporation and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by the Corporation to Cogeco, which was based on a percentage of the revenue of the Corporation, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This new cost-plus methodology, which became effective on May 1, 2019, was introduced to avoid future variations of the management fee percentage due to the frequent changes of the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the nine-month periods ended May 31, 2019 and 2018, the Corporation granted stock options and performance share units (" PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

| | Nine months ended | |
|---|---|---|
| | **May 31, 2019** | May 31, 2018 |
| Stock options | **97,725** | 126,425 |
| PSUs | **14,625** | 19,025 |

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, incentive share units ("ISUs") and PSUs to these executive officers, as well as deferred share units ("DSUs") granted to Board directors of Cogeco:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 | **May 31, 2019** | May 31, 2018 |
| *(in thousands of dollars)* | **$** | $ | **$** | $ |
| Stock options | **256** | 240 | **749** | 635 |
| ISUs | **15** | — | **45** | 1 |
| PSUs | **304** | 254 | **806** | 736 |
| DSUs | **69** | — | **393** | — |

There were no other material related party transactions during the periods covered.

# 6. CASH FLOW ANALYSIS

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 (1) | Change | May 31, 2019 | May 31, 2018 (1) | Change |
| *(in thousands of dollars, except percentages)* | $ | $ | % | $ | $ | % |
| Cash flow from operating activities | 265,551 | 167,073 | 58.9 | 564,009 | 365,310 | 54.4 |
| Cash flow from investing activities | (95,735) | (59,243) | 61.6 | (326,746) | (1,997,192) | (83.6) |
| Cash flow from financing activities | (517,581) | (226,200) | — | (609,024) | 1,478,263 | — |
| Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency | 1,710 | 555 | — | 966 | 2,052 | (52.9) |
| **Net change in cash and cash equivalents from continuing operations** | (346,055) | (117,815) | — | (370,795) | (151,567) | — |
| Net change in cash and cash equivalent from discontinued operations(2) | 734,405 | 6,983 | — | 733,807 | 3,200 | — |
| Cash and cash equivalents, beginning of the period | 59,387 | 173,650 | (65.8) | 84,725 | 211,185 | (59.9) |
| **Cash and cash equivalents, end of the period** | 447,737 | 62,818 | — | 447,737 | 62,818 | — |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) For further details on the Corporation's cash flow attributable to discontinued operations, please consult the "Discontinued operations" section.

## 6.1 OPERATING ACTIVITIES

Fiscal 2019 third-quarter cash flow from operating activities increased by 58.9% compared to the same period of the prior year mainly from:

- higher adjusted EBITDA;
- the decreases in income taxes paid and financial expense paid; and
- the decrease in changes in non-cash operating activities primarily due to changes in working capital.

For the first nine months of fiscal 2019, cash flow from operating activities increased by 54.4% compared to the same period of the prior year mainly from:

- higher adjusted EBITDA; and
- the decreases in income taxes paid and in integration, restructuring and acquisition costs; partly offset by
- the increase in changes in non-cash operating activities primarily due to changes in working capital.

## 6.2 INVESTING ACTIVITIES

Fiscal 2019 third-quarter investing activities increased by 61.6% compared to the same period of the prior year mainly due to the redemption of short-term investments in the prior year.

For the first nine months of fiscal 2019, investing activities decreased by 83.6% compared to the same period of the prior year mainly due to the MetroCast acquisition of $1.76 billion in the second quarter of fiscal 2018.

### BUSINESS COMBINATION IN FISCAL 2019

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband’s existing south Florida footprint.

The acquisition was accounted for using the purchase method and is subject to post closing adjustments. The preliminary allocation of the purchase price of this acquisition is as follows:

| | Preliminary |
|---|---|
| *(in thousands of dollars)* | $ |
| **Purchase price** | |
| Consideration paid at closing | 38,876 |
| Balance due on a business combination | 5,005 |
| | 43,881 |
| **Net assets acquired** | |
| Trade and other receivables | 1,743 |
| Prepaid expenses and other | 335 |
| Property, plant and equipment | 45,769 |
| Trade and other payables assumed | (644) |
| Contract liabilities and other liabilities assumed | (3,322) |
| | 43,881 |

### ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

The acquisitions of property, plant and equipment as well as the capital intensity per operating segment are as follows:

| | Three months ended | | | |
|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 (1) | Change | Change in constant currency (2) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % |
| **Canadian broadband services** | 49,729 | 53,206 | (6.5) | (7.8) |
| Capital intensity | 15.3% | 16.2% | | |
| **American broadband services** | 46,387 | 45,454 | 2.1 | (2.2) |
| Capital intensity | 17.7% | 19.1% | | |
| **Consolidated** | 96,116 | 98,660 | (2.6) | (5.2) |
| Capital intensity | 16.4% | 17.4% | | |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| (in thousands of dollars, except percentages) | Nine months ended May 31, 2019 $ | May 31, 2018 (1) $ | Change % | Change in constant currency (2) % |
|---|---|---|---|---|
| **Canadian broadband services** | **162,808** | 155,823 | 4.5 | 2.7 |
| Capital intensity | **16.7%** | 15.9% | | |
| **American broadband services** | **126,638** | 139,666 | (9.3) | (13.4) |
| Capital intensity | **16.4%** | 23.2% | | |
| **Consolidated** | **289,446** | 295,489 | (2.0) | (4.9) |
| Capital intensity | **16.6%** | 18.7% | | |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter acquisitions of property, plant and equipment decreased by 2.6% (5.2% in constant currency) mainly due to lower capital expenditures in the Canadian broadband services segment attributable to the timing of certain initiatives.

For the first nine months of fiscal 2019, acquisitions of property, plant and equipment decreased by 2.0% (4.9% in constant currency) mainly due to lower capital expenditures in the American broadband services segment, partly offset by higher capital expenditures in the Canadian broadband services segment.

For the first nine months of fiscal 2019, capital intensity reached 16.6% compared to 18.7% for the same period of the prior year mainly as a result of revenue growth combined with lower capital expenditures.

For further details on the Corporation’s acquisitions of property, plant and equipment, please refer to the “Segmented operating and financial results" section.

## 6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

### FREE CASH FLOW

Fiscal 2019 third-quarter free cash flow increased by 33.8% (33.4% in constant currency) compared to the same period of the prior year, mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense.

For the first nine months of fiscal 2019, free cash flow increased by 45.5% (44.9% in constant currency) compared to the same period of the prior year mainly due to the following:

- higher adjusted EBITDA;
- the decrease in current income taxes expense; and
- the decrease in integration, restructuring and acquisition costs.

#### FINANCING ACTIVITIES

For the third quarter and first nine months of fiscal 2019, changes in cash flows from financing activities are mainly explained as follows:

| | Three months ended | | | Nine months ended | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of dollars)* | May 31, 2019<br>$ | May 31, 2018<br>$ | Change<br>$ | May 31, 2019<br>$ | May 31, 2018<br>$ | Change<br>$ | Explanations |
| Increase (decrease) in bank indebtedness | (31,493) | 11,484 | (42,977) | (1,128) | 12,061 | (13,189) | Related to the timing of payments made to suppliers. |
| Net increase (decrease) under the revolving facilities | (440,034) | 397,002 | (837,036) | (443,955) | 397,910 | (841,865) | Repayments of the revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with generated free cash flow.<br><br>US$307 million revolving loan was drawn under the Term Revolving Facility following the early reimbursement of the US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018 and drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility to finance the MetroCast acquisition. |
| Issuance of long-term debt, net of discounts and transaction costs | — | — | — | — | 2,082,408 | (2,082,408) | Issuance of a US$1.7 billion Senior Secured Term Loan B to finance the MetroCast acquisition and refinance Atlantic Broadband's long-term debt in the second quarter of fiscal 2018. |
| Repayment of long-term debt | (5,749) | (611,440) | 605,691 | (71,989) | (1,323,496) | 1,251,507 | Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018.<br><br>Repayment of long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing and the early redemption of the US$400 million Senior Unsecured Notes. |
| Repayment of balance due on a business combination | — | — | — | (655) | (118) | (537) | Not significant. |
| Increase in deferred transaction costs | — | — | — | (432) | (3,168) | 2,736 | Not significant. |
| | (477,276) | (202,954) | (274,322) | (518,159) | 1,165,597 | (1,683,756) | |

#### DIVIDENDS

During the third quarter of fiscal 2019, a quarterly eligible dividend of $0.525 per share was paid to the holders of multiple and subordinate voting shares, totalling $25.9 million, compared to an eligible dividend paid of $0.475 per share, or $23.4 million in the third quarter of fiscal 2018. Dividend payments in the first nine months totaled $1.575 per share, or $77.8 million, compared to $1.425 per share, or $70.3 million, in the prior year.

#### NORMAL COURSE ISSUER BID

Following the completion of the sale of Cogeco Peer 1 on April 30, 2019, the Toronto Stock Exchange has accepted Cogeco Communications' notice of intention for a normal course issuer bid in respect to its subordinate voting shares. Purchases pursuant to the normal course issuer bid will be made between May 3, 2019 to May 20, 2020 and enable the Corporation to acquire up to 1,869,000 subordinate voting shares. During the third quarter of fiscal 2019, Cogeco Communications purchased and cancelled 157,400 subordinate voting shares with an average stated value of $4.4 million for a consideration of $14.5 million.

## 6.4 DIVIDEND DECLARATION

At its July 10, 2019 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.525 per share for multiple voting and subordinate voting shares, payable on August 7, 2019 to shareholders of record on July 24, 2019. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation’s financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

# 7. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segment and to assess its performance.

## 7.1 CANADIAN BROADBAND SERVICES

### OPERATING AND FINANCIAL RESULTS

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 325,808 | 329,144 | (1.0) | (1.0) | — |
| Operating expenses | 147,054 | 156,391 | (6.0) | (6.1) | 277 |
| Adjusted EBITDA | 178,754 | 172,753 | 3.5 | 3.6 | (277) |
| Adjusted EBITDA margin | 54.9% | 52.5% | | | |
| Acquisitions of property, plant and equipment | 49,729 | 53,206 | (6.5) | (7.8) | 699 |
| Capital intensity | 15.3% | 16.2% | | | |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 975,032 | 980,165 | (0.5) | (0.5) | — |
| Operating expenses | 458,471 | 465,326 | (1.5) | (1.7) | 1,029 |
| Adjusted EBITDA | 516,561 | 514,839 | 0.3 | 0.5 | (1,029) |
| Adjusted EBITDA margin | 53.0% | 52.5% | | | |
| Acquisitions of property, plant and equipment | 162,808 | 155,823 | 4.5 | 2.7 | 2,785 |
| Capital intensity | 16.7% | 15.9% | | | |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

### REVENUE

Fiscal 2019 third-quarter revenue decreased by 1.0% (1.0% in constant currency) mainly as a result of:

- decreases in video and telephony services customers primarily due to the implementation of a new customer management system in the second half of fiscal 2018; partly offset by
- rate increases; and
- higher net pricing from consumer sales.

For the first nine months of fiscal 2019, revenue decreased by 0.5% (0.5% in constant currency) mainly as a result of:

- a decline in primary service units in the first quarter of fiscal 2019 from lower service activations primarily due to the implementation of a new customer management system; and
- the impact of the timing of rate increases implemented in fiscal 2019 compared to the same period of the prior year; partly offset by
- higher net pricing from consumer sales.

#### OPERATING EXPENSES

Fiscal 2019 third-quarter operating expenses decreased by 6.0% (6.1% in constant currency) mainly attributable to:

- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; and
- lower programming costs as a result of lower primary service units.

For the first nine months of fiscal 2019, operating expenses decreased by 1.5% (1.7% in constant currency) mainly attributable to:

- lower programming costs resulting from a lower level of primary service units; and
- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; partly offset by
- additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system implemented in the third quarter of fiscal 2018; and
- retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher rates than expected established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period of 2014 to 2018.

#### ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA increased by 3.5% and 0.3%, respectively, (3.6% and 0.5% in constant currency) resulting mainly from a reduction in operating expenses.

#### CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 third-quarter acquisitions of property, plant and equipment decreased by 6.5% (7.8% in constant currency) resulting from:

- lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
- lower purchases of customer premise equipment due to the timing of certain initiatives; partly offset by
- additional investments to improve and expand the network infrastructure; and
- costs related to the new IPTV platform.

For the first nine months of fiscal 2019, acquisitions of property, plant and equipment increased by 4.5% (2.7% in constant currency) resulting from:

- additional investments to improve and expand the network infrastructure; and
- costs related to the new IPTV platform; partly offset by
- lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
- lower purchases of customer premise equipment due to the timing of certain initiatives.

For the first nine months of fiscal 2019, capital intensity reached 16.7% compared to 15.9% for the same period of fiscal 2018 mainly as a result of capital expenditures growth combined with a decrease in revenue.

## CUSTOMER STATISTICS

| | | Net additions (losses) | | Net additions (losses) | | % of penetration(1) | |
|---|---|---|---|---|---|---|---|
| | | Three months ended | | Nine months ended | | | |
| | May 31, 2019 | May 31, 2019 | May 31, 2018 | May 31, 2019 | May 31, 2018 | May 31, 2019 | May 31, 2018 |
| Primary service units | 1,813,212 | (11,799) | (13,141) | (53,706) | (20,031) | | |
| Internet service customers | 785,703 | 699 | 693 | 3,426 | 17,138 | 44.6 | 45.0 |
| Video service customers | 657,747 | (11,024) | (9,030) | (31,021) | (21,082) | 37.4 | 40.0 |
| Telephony service customers | 369,762 | (1,474) | (4,804) | (26,111) | (16,087) | 21.0 | 23.7 |

(1) As a percentage of homes passed.

During the third quarter of fiscal 2018, the Canadian broadband services segment implemented a new customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the first quarter of fiscal 2019. Contact center and marketing operations had returned to normal at the end of the first quarter of 2019.

Variations of each services are also explained as follows:

#### INTERNET

For the third quarter and first nine months of fiscal 2019, Internet service customers net additions stood at 699 and 3,426, respectively, compared to 693 and 17,138 for the same periods of the prior year mainly due to:

- the ongoing interest in high speed offerings;
- the increased demand from Internet resellers; and
- the sustained interest in bundle offers; partly offset by
- competitive offers in the industry.

The variation for the first nine months of fiscal 2019 was also due to contact center congestion in the first quarter of fiscal 2019 resulting from the implementation and stabilization of the new customer management system.

#### VIDEO

For the third quarter and first nine months of fiscal 2019, video service customers net losses stood at 11,024 and 31,021, respectively, compared to 9,030 and 21,082 for the same periods of the prior year as a result of:

- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- our customers' ongoing interest in digital advanced video services; and
- bundles with fast Internet offerings.

The variation for the first nine months of fiscal 2019 was also due to contact center congestion in the first quarter of fiscal 2019 resulting from the implementation and stabilization of the new customer management system.

#### TELEPHONY

For the third quarter and first nine months of fiscal 2019, telephony service customers net losses amounted to 1,474 and 26,111, respectively, compared to 4,804 and 16,087 for the same periods of the prior year mainly due to:

- the increasing wireless penetration in North America and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only.

The variation for the first nine months of fiscal 2019 was also due to technical issues with telephony activations following the implementation of the new customer management system which were resolved at the end of the first quarter.

#### DISTRIBUTION OF CUSTOMERS

At May 31, 2019, the distribution of customers by number of services for the Canadian broadband services were: 31% who subscribe to one service (29% in 2018), 39% to two services (39% in 2018) and 30% to three services (32% in 2018).

## 7.2 AMERICAN BROADBAND SERVICES

### OPERATING AND FINANCIAL RESULTS

| | Three months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | 261,537 | 237,809 | 10.0 | 5.4 | 10,849 |
| Operating expenses | 145,836 | 131,613 | 10.8 | 6.2 | 6,055 |
| Adjusted EBITDA | 115,701 | 106,196 | 9.0 | 4.4 | 4,794 |
| Adjusted EBITDA margin | 44.2% | 44.7% | | | |
| Acquisitions of property, plant and equipment | 46,387 | 45,454 | 2.1 | (2.2) | 1,930 |
| Capital intensity | 17.7% | 19.1% | | | |

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

| | Nine months ended | | | | |
|---|---|---|---|---|---|
| | May 31, 2019 (1) | May 31, 2018 (2) | Change | Change in constant currency (3) | Foreign exchange impact (3) |
| *(in thousands of dollars, except percentages)* | $ | $ | % | % | $ |
| Revenue | **773,115** | 600,929 | 28.7 | 22.8 | 35,006 |
| Operating expenses | **422,993** | 341,666 | 23.8 | 18.2 | 19,152 |
| Adjusted EBITDA | **350,122** | 259,263 | 35.0 | 28.9 | 15,854 |
| Adjusted EBITDA margin | **45.3%** | 43.1% | | | |
| Acquisitions of property, plant and equipment | **126,638** | 139,666 | (9.3) | (13.4) | 5,628 |
| Capital intensity | **16.4%** | 23.2% | | | |

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

## REVENUE

For the third quarter and first nine months of fiscal 2019, revenue increased by 10.0% and 28.7%, respectively, (5.4% and 22.8% in constant currency). In local currency, revenue amounted to US$195.2 million and US$582.8 million, respectively, compared to US$185.1 million and US$474.1 million for the same periods of fiscal 2018. The increase for both periods resulted mainly from:

- rate increases;
- continued growth in Internet and telephony services customers; and
- the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
- a decrease in video service customers.

In addition, the variation for the first nine months of fiscal 2019 was also due to the impact of the MetroCast acquisition completed on January 4, 2018 which was included in revenue for only a five-month period for the comparable period of the prior year.

Excluding the MetroCast and FiberLight acquisitions, revenue in constant currency increased by 5.5% for the first nine months of fiscal 2019.

## OPERATING EXPENSES

For the third quarter and first nine months of fiscal 2019, operating expenses increased by 10.8% and 23.8%, respectively, (6.2% and 18.2% in constant currency) mainly as a result of:

- higher costs related to growing demands for higher Internet capacity packages;
- the FiberLight acquisition completed in the first quarter of fiscal 2019;
- programming rate increases; and
- higher compensation expenses due to higher headcount to support growth.

The variation for the third quarter of fiscal 2019 was also due to marketing initiatives and the variation for the first nine months was also attributable to the impact of the MetroCast acquisition which was included in operating expense for only a five-month period for the comparable period of the prior year, partly offset by the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.

## ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA increased by 9.0% and 35.0%, respectively, (4.4% and 28.9% in constant currency). In local currency, adjusted EBITDA amounted to US$86.3 million and US$264.0 million, respectively, compared to US$82.7 million and US$204.5 million for the same periods of fiscal 2018. The increase for both periods was mainly due to organic growth combined with the impact of the FiberLight acquisition. The increase for the first nine months of fiscal 2019 was also attributable to the impact of the MetroCast acquisition.

Excluding the MetroCast and FiberLight acquisitions and the prior year's non-recurring costs of $3.1 million ($US2.5 million) related to hurricane Irma, adjusted EBITDA in constant currency increased by 9.2% for the first nine months of fiscal 2019.

### CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For the third quarter and first nine months of fiscal 2019, acquisitions of property, plant and equipment increased by 2.1% (decrease of 2.2% in constant currency) mainly due to:

- additional capital expenditures related to the expansion in Florida; partly offset by
- lower purchases of customer premise equipment due to the timing of certain initiatives.

For the first nine months of fiscal 2019, acquisitions of property, plant and equipment decreased by 9.3% (13.4% in constant currency) mainly due to:

- the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US$16.8 million) during the second quarter of fiscal 2018; partly offset by
- additional capital expenditures related to the impact of the MetroCast acquisition; and
- additional capital expenditures related to the expansion in Florida.

For the first nine months of fiscal 2019, capital intensity reached 16.4% compared to 23.2% for the same period of fiscal 2018 mainly as a result of lower capital expenditures combined with revenue growth.

## CUSTOMER STATISTICS

| | | Net additions (losses) | | Net additions (losses) | | % of penetration(2)(3) | |
|---|---|---|---|---|---|---|---|
| | | Three months ended | | Nine months ended | | | |
| | May 31, 2019 | May 31, 2019 | May 31, 2018 | May 31, 2019 | May 31, 2018 (1) | May 31, 2019 | May 31, 2018 (3) |
| Primary service units | 894,015 | 15,803 | 7,578 | 9,550 | 17,454 | | |
| Internet service customers | 443,696 | 14,134 | 7,368 | 18,748 | 16,724 | 50.7 | 49.8 |
| Video service customers | 307,261 | (345) | (1,019) | (9,991) | (3,714) | 35.1 | 37.9 |
| Telephony service customers | 143,058 | 2,014 | 1,229 | 793 | 4,444 | 16.3 | 16.7 |

(1) Excludes 251,379 primary services units (130,404 Internet services, 87,873 video services and 33,102 telephony services) from the MetroCast acquisition completed in the second quarter of fiscal 2018.

(2) As a percentage of homes passed.

(3) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services segment have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed have also been adjusted.

### INTERNET

For the third quarter and first nine months of fiscal 2019, Internet service customers net additions stood at 14,134 and 18,748, respectively, compared to 7,368 and 16,724 for the same periods of the prior year as a result of:

- additional connects from the Florida expansion and in the MetroCast footprint;
- our customers' ongoing interest in high speed offerings;
- growth in both the residential and business sectors; and
- seasonal reconnects in the Maine and New Hampshire areas during the third quarter of fiscal 2019.

### VIDEO

For the third quarter and first nine months of fiscal 2019, video service customers net losses stood at 345 and 9,991, respectively, compared to 1,019 and 3,714 for the same periods of the prior year mainly from:

- competitive offers in the industry;
- a changing video consumption environment; partly offset by
- seasonal reconnects in the Maine and New Hampshire areas during the third quarter of fiscal 2019; and
- our customers' ongoing interest in TiVo's digital advanced video services.

### TELEPHONY

For the third quarter and first nine months of fiscal 2019, telephony service customers net additions stood at 2,014 and 793, respectively, compared to 1,229 and 4,444 for the same periods of the prior year mainly as a result of growth in the business sector.

### DISTRIBUTION OF CUSTOMERS

At May 31, 2019, the distribution of customers by number of services for the American broadband services were: 48% (46% in 2018) who subscribe to one service, 33% (34% in 2018) to two services and 19% (20% in 2018) to three services.

# 8. FINANCIAL POSITION

## 8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness.

The variations are as follows:

| | May 31, 2019 | August 31, 2018 (1) | Change | Explanations |
|---|---|---|---|---|
| *(in thousands of dollars)* | $ | $ | $ | |
| **Current assets** | | | | |
| Cash and cash equivalents | 447,737 | 84,725 | 363,012 | Please refer to the "Cash flow analysis" section. |
| Trade and other receivables | 72,760 | 97,294 | (24,534) | Related to the sale of Cogeco Peer 1 on April 30, 2019, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar. |
| Income taxes receivable | 14,761 | 24,976 | (10,215) | Mostly related to lower income tax installments made during the first nine months of fiscal 2019 in the Canadian broadband services segment. |
| Prepaid expenses and other | 25,263 | 29,473 | (4,210) | Not significant. |
| Derivative financial instruments | 243 | 1,330 | (1,087) | Not significant. |
| | 560,764 | 237,798 | 322,966 | |
| **Current liabilities** | | | | |
| Bank indebtedness | 4,821 | 5,949 | (1,128) | Timing of payments made to suppliers. |
| Trade and other payables | 184,953 | 302,806 | (117,853) | Timing of payments made to suppliers combined with the sale of Cogeco Peer 1. |
| Provisions | 33,283 | 25,887 | 7,396 | Mostly related to the increase of network fees in the Canadian broadband services segment. |
| Income tax liabilities | 14,248 | 16,133 | (1,885) | Not significant. |
| Contract liabilities and other liabilities | 47,370 | 59,656 | (12,286) | Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar. |
| Balance due on a business combination | 4,599 | — | 4,599 | Related to the FiberLight acquisition completed on October 3, 2018. |
| Current portion of long-term debt | 22,996 | 77,188 | (54,192) | Mostly related to the reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018, partly offset by the appreciation of the US dollar against the Canadian dollar. |
| | 312,270 | 487,619 | (175,349) | |
| **Working capital surplus (deficiency)** | 248,494 | (249,821) | 498,315 | |

(1) Fiscal 2018 was restated to comply with IFRS 15. For further details, please consult the "Accounting policies" section.

## 8.2 OTHER SIGNIFICANT CHANGES

| (in thousands of dollars) | May 31, 2019<br>$ | August 31, 2018 (1)<br>$ | Change<br>$ | Explanations |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | **2,003,945** | 2,323,678 | (319,733) | Related to the sale of Cogeco Peer 1, partly offset by the FiberLight acquisition in the first quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar. |
| Intangible assets | **2,894,186** | 2,927,388 | (33,202) | Related to the sale of of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar. |
| Goodwill | **1,385,630** | 1,608,446 | (222,816) | Related to sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar. |
| Derivative financial instruments | **—** | 33,797 | (33,797) | Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate. |
| **Non-current liabilities** | | | | |
| Long-term debt | **3,434,163** | 3,781,020 | (346,857) | Mostly related to the reimbursement of the US$328 million Canadian Revolving Facility during the third quarter of fiscal 2019 using the proceeds of the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar. |
| Derivative financial instruments | **19,028** | — | 19,028 | Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate. |
| **Shareholders' equity** | | | | |
| Equity attributable to non-controlling interest(2) | **361,353** | 336,442 | 24,911 | Mostly related to the increase in profit for the period from continuing operations attributable to non-controlling interest combined with the appreciation of the US dollar against the Canadian dollar. |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) The non-controlling interest represents a participation of 21% in Atlantic Broadband by CDPQ, effective since the MetroCast acquisition on January 4, 2018.

## 8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at June 30, 2019 is presented in the table below. Additional details are provided in note 13 of the Condensed Interim Consolidated Financial Statements.

| (in thousands of dollars, except number of shares/options) | Number of shares/options | Amount<br>$ |
|---|---|---|
| **Common shares** | | |
| Multiple voting shares | 15,691,100 | 98,346 |
| Subordinate voting shares | 33,797,030 | 938,339 |
| **Options to purchase subordinate voting shares** | | |
| Outstanding options | 803,977 | |
| Exercisable options | 354,192 | |

## 8.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, operating and financial leases and guarantees. Cogeco Communications' obligations, as reported in the 2018 Annual Report, have not materially changed since August 31, 2018 except as follows.

On December 4, 2018, the Corporation extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2024.

At May 31, 2019, the Corporation had used $1.7 million of its $800 million Term Revolving Facility for a remaining availability of $798.3 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $202.9 million (US$150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2019 for a remaining availability of $199.6 million (US$147.6 million).

## 8.5 CREDIT RATINGS

The table below shows Cogeco Communications' and Atlantic Broadband's credit ratings:

| At May 31, 2019 | S&P | DBRS | Moody's |
|---|---|---|---|
| **Cogeco Communications** | | | |
| Senior Secured Notes and Debentures | BBB- | BBB (low) | NR |
| **Atlantic Broadband** | | | |
| First Liens Credit Facilities | BB- | NR | B1 |

**NR :** Not rated

Our ability to access debt capital markets and bank credit markets and the cost and amount of funding available partly depends on the quality of our credit ratings. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/B" rating category. In addition, obligations with "BBB" ratings generally have greater access to funding than those with "BB/B" ratings.

## 8.6 FINANCIAL MANAGEMENT

### Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2019, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, the Corporation's US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2019:

| Type of hedge | Notional amount | Receive interest rate | Pay interest rate | Maturity | Hedged item |
|---|---|---|---|---|---|
| Cash flow | US$1.175 billion | US Libor base rate | 0.987% - 2.262% | July 2019 - November 2024 | Senior Secured Term Loan B |

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.9 million based on the outstanding debt at May 31, 2019.

### Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $12 million based on the outstanding debt at May 31, 2019.

Furthermore, the Corporation's net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, notably changes in the value of the Canadian dollar versus the US dollar. The risk related to the US dollar aggregate investments is mitigated since a portion was borrowed in US dollars.

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at May 31, 2019:

| Type of hedge | Notional amount of debt | Aggregate investments | Hedged item |
|---|---|---|---|
| Net investments | US$390 million | US$955.6 million | Net investments in foreign operations in US dollar |

The exchange rate used to translate the US dollar currency into Canadian dollars for the statement of financial position accounts at May 31, 2019 was $1.3527 ($1.3055 at August 31, 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $76.5 million.

## 8.7 FOREIGN CURRENCY

For the three and nine-month periods ended May 31, 2019, the average rates prevailing used to convert the operating results of the American broadband services and the discontinued operations were as follows:

| | Three months ended | | | | Nine months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 | Change | Change | May 31, 2019 | May 31, 2018 | Change | Change |
| | $ | $ | $ | % | $ | $ | $ | % |
| US dollar vs Canadian dollar | **1.3402** | 1.2846 | 0.06 | 4.3 | **1.3266** | 1.2664 | 0.06 | 4.8 |
| British Pound vs Canadian dollar [(1)] | **1.7518** | 1.7776 | (0.03) | (1.5) | **1.7212** | 1.7234 | — | (0.1) |

(1) The rates presented for fiscal 2019 are for the two and eight-month periods ended April 30, 2019.

The following table highlights in Canadian dollars, the impact of a depreciation of $0.06 of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the nine-month period ended May 31, 2019:

| | Canadian broadband services | American broadband services | Consolidated [(1)] |
|---|---|---|---|
| Nine months ended May 31, 2019 | Exchange rate impact | Exchange rate impact | Exchange rate impact |
| *(in thousands of dollars)* | $ | $ | $ |
| Revenue | **—** | **35,006** | **35,006** |
| Operating expenses | **1,029** | **19,152** | **20,195** |
| Management fees - Cogeco Inc. | | | **—** |
| Adjusted EBITDA | **(1,029)** | **15,854** | **14,811** |
| Acquisitions of property, plant and equipment | **2,785** | **5,628** | **8,413** |
| Free cash flow | | | **1,551** |

(1) The consolidated results do not correspond to the addition of the operating segment's results as inter-segment eliminations and other are not presented.

# 9. DISCONTINUED OPERATIONS

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business ICT services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million.

In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current period and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations.

As a result of the sale, which is subject to closing adjustments, the Corporation recognized the following gain on disposal for the third quarter and first nine months of fiscal 2019:

| | $ |
|---|---|
| Gross proceeds, net of cash disposed | **720,314** |
| Preliminary working capital adjustments | **(1,229)** |
| Transaction costs | **(10,903)** |
| Net proceeds from sale, net of cash disposed | **708,182** |
| Net assets disposed | **(625,738)** |
| **Gain on disposal of a subsidiary** | **82,444** |

The following table presents the carrying value of the net assets disposed of:

| | $ |
|---|---|
| Trade and other receivables | 19,988 |
| Income taxes receivable | 1,126 |
| Prepaid expenses and other | 8,532 |
| Property, plant and equipment | 361,774 |
| Intangible assets | 49,618 |
| Other assets | 9,594 |
| Goodwill | 272,591 |
| Deferred tax assets | 2,061 |
| Trade and other payables | (22,416) |
| Provisions | (34) |
| Contract liabilities and other liabilities | (25,104) |
| Deferred tax liabilities | (22,183) |
| Foreign currency translation adjustment | (29,809) |
| | 625,738 |

The profit or loss of the discontinued operations was as follows:

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 | Change | May 31, 2019 | May 31, 2018 | Change |
| | $ | $ | % | $ | $ | % |
| **Revenue** | 42,177 | 69,986 | (39.7) | 174,990 | 208,123 | (15.9) |
| Operating expenses | 33,196 | 50,925 | (34.8) | 132,390 | 149,942 | (11.7) |
| **Adjusted EBITDA** | 8,981 | 19,061 | (52.9) | 42,600 | 58,181 | (26.8) |
| Depreciation and amortization | — | 24,602 | (100.0) | 43,999 | 72,325 | (39.2) |
| Financial expense | (775) | (306) | — | (1,304) | (757) | 72.3 |
| Gain on disposal of a subsidiary | (82,444) | — | — | (82,444) | — | — |
| **Profit (loss) before income taxes** | 92,200 | (5,235) | — | 82,349 | (13,387) | — |
| Income taxes | 9,749 | 130 | — | 8,889 | 9,942 | (10.6) |
| **Profit (loss) for the period from discontinued operations** | 82,451 | (5,365) | — | 73,460 | (23,329) | — |

## REVENUE

For the third quarter and first nine months of fiscal 2019, revenue decreased by 39.7% and 15.9%, respectively, primarily due to a two-month and eight-month periods of revenue in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018 combined with higher churn and continued pricing pressures on the hosting and network connectivity services.

## OPERATING EXPENSES

For the third quarter and first nine months of fiscal 2019, operating expenses decreased by 34.8% and 11.7%, respectively, mainly due to:

- a two-month and eight-month periods of operating expenses in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018;
- lower compensation expenses; and
- lower costs related to service delivery and cloud licensing; partly offset by
- costs related to the closure of a data centre.

## ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA decreased by 52.9% and 26.8% as a result of a two-month and eight-month periods of operating results in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018 combined with a higher decline in revenue.

**CASH FLOW**

The cash flows of the discontinued operations were as follows:

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | May 31, 2018 | Change | May 31, 2019 | May 31, 2018 | Change |
| | $ | $ | % | $ | $ | % |
| Cash flow from operating activities | 22,799 | 18,675 | 22.1 | 41,962 | 37,167 | 12.9 |
| Cash flow from investing activities | 711,550 | (11,775) | — | 691,729 | (34,011) | — |
| Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies | 56 | 83 | (32.5) | 116 | 44 | — |
| **Net change in cash and cash equivalents from discontinued operations** | 734,405 | 6,983 | — | 733,807 | 3,200 | — |

# 10. FISCAL 2020 PRELIMINARY FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook for Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A and of the Corporation's 2018 annual MD&A.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2020 revenue to grow between 2% and 4% mainly as a result of organic growth in the American broadband services segment for both the residential and business sectors, the continued expansion in Florida and annual rate increases. In the Canadian broadband services segment, revenue growth should stem primarily from Internet customer additions and growth in the business sector.

On a constant currency and consolidated basis, fiscal 2020 adjusted EBITDA should grow between 2.5% and 4.5% mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

The capital intensity ratio should decrease as a result of revenue growth exceeding capital expenditures increase. In the American broadband services segment, higher capital expenditures are expected due to additional investments in our network infrastructure in the areas we serve, partly offset by lower capital expenditure due to the completion of equipment replacements in the MetroCast regions in fiscal 2019. In the Canadian broadband services segment, stable capital expenditures are expected as a result of lower customer premise equipment costs, offset by investments to expand our network footprint across Ontario and Québec combined with investments in digitalization projects.

Free cash flow on a constant currency and consolidated basis should increase between 5% and 11% mainly due to the growth of adjusted EBITDA, partly offset by higher capital expenditures.

The following table outlines fiscal 2020 preliminary financial guidelines ranges on a consolidated basis:

| | Preliminary projections (prior to the adoption of IFRS 16) (1) |
|---|---|
| | Fiscal 2020 (2) |
| *(in millions of dollars, except percentages)* | $ |
| **Financial guidelines** | |
| Revenue | Increase of 2% to 4% |
| Adjusted EBITDA | Increase of 2.5% to 4.5% |
| Acquisitions of property, plant and equipment | $460 to $480 |
| Capital intensity | 19% to 20% |
| Free cash flow(3) | Increase of 5% to 11% |

(1) Fiscal 2020 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*.

(2) Fiscal 2020 preliminary financial guidelines are based on an estimated USD/CDN exchange rate of 1.33 USD/CDN.

(3) The assumed current income tax effective rate is approximatively 12%

# 11. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer (“CEO”) and the Senior Vice President and Chief Financial Officer (“CFO”), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco Communications’ internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at May 31, 2019, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and nine-month periods ended May 31, 2019.

# 12. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2018 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2018 Annual Report, which are hereby incorporated by reference.

On February 28, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") initiated a public consultation to review mobile wireless services in Canada. In this proceeding, the CRTC will consider three areas for review: (i) competition in the retail wireless market, (ii) the current wholesale mobile wireless service regulatory framework, with a focus on wholesale Mobile Virtual Network Operator ("MVNO") access, and (iii) the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC is concerned that the mobile wireless market continues to demonstrate a high degree of market concentration. To protect the interest of users and further the policy objectives of the *Telecommunications Act*, the CRTC has determined as a preliminary view in this Notice of Consultation, that it would be appropriate to mandate the national wireless carriers in Canada (Bell Mobility, Rogers Communications and Telus Communications) to provide wholesale MVNO access as an outcome of the proceeding. The CRTC received initial submissions on May 15, 2019, followed by a public hearing that is scheduled for January 13, 2020. A decision is expected sometime in mid-2020.

# 13. ACCOUNTING POLICIES

## 13.1 CHANGES IN ACCOUNTING POLICIES

### IFRS 9 *Financial Instruments*

On September 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments,* which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes requirements for classification and measurement, impairment, derecognition and general hedge accounting. The Corporation adopted IFRS 9 on a retrospective basis.

The Corporation is applying the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets. The Corporation elected to continue to apply the hedge accounting requirements of IAS 39.

The adoption of IFRS 9 had no significant impact on the consolidated financial statements.

### IFRS 15 *Revenue from Contracts with Customers*

On September 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*, on a fully retrospective basis. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Corporation's revenue. IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*.

The adoption of IFRS 15 has an impact on residential non-refundable upfront installation fees charged to broadband service customers. Such revenue is deferred and amortized over the period the fee remains material to the customer, which the Corporation estimated to be six months. The estimate required consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. Prior to IFRS 15, these installation fees were deferred and amortized as revenue at the same pace as the revenue from the related services was earned, which was the average life of a customer's subscription for broadband service customers.

The adoption of IFRS 15 also impacted the consolidated financial statements with regards to the capitalization of costs to obtain a contract. Costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) are recognized as an asset and recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation. Prior to IFRS 15, direct and incremental costs associated with the acquisition of customers were capitalized as intangible assets for contracts lasting greater than one year, and amortized over the term of the revenue arrangement. For contracts with durations of less than one year, these costs were recognized in operating expenses as incurred.

Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are deferred as contract costs in other assets and recognized over the term of the contract, as a reduction of revenue. Prior to IFRS 15, these fees were capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the contract.

### RECLASSIFICATION OF RECONNECT COSTS

Following an in-depth analysis of all contract costs, stemming from the adoption of IFRS 15, the Corporation reviewed the reconnect and additional service activation costs ("reconnect costs") generated by the customer reconnect activity. Prompted by the significant change in technology that occurred over time regarding the activities required to reconnect customers, the Corporation determined that the reconnect costs are incurred to ensure that the customer premise equipment ("CPE") is functioning as per the intended use and within the required parameters. Thus the reconnect costs are directly attributable to bringing the CPE assets to their condition necessary for the intended operating manner.

Consequently, the Corporation changed its accounting policy with respect to reconnect costs which are now recognized as property, plant and equipment, and depreciated over the expected useful life of the CPE. Previously, reconnect costs were capitalized as intangible assets up to a maximum not exceeding the revenue generated by the reconnect activity, and amortized over the average life of a customer's subscription, not exceeding eight years.

The Corporation believes this change in accounting policy will better reflect the current nature of the reconnect costs.

### IMPACTS OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the periods ended May 31, 2018, the year ended August 31, 2018 and the opening statement of financial position as at September 1, 2017 and 2018. The impact on the Corporation’s consolidated financial statements of adopting these accounting policies is provided in note 2 of the the Condensed Interim Consolidated Financial Statements.

# 14. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Communications throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regards to our business units. Reconciliations between "free cash flow", "adjusted EBITDA", "adjusted EBITDA margin" and "capital intensity" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisitions of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similarly measures presented by other companies.

| Non-IFRS measure | Application | Calculation | Most comparable IFRS measures |
|---|---|---|---|
| Free cash flow | Management and investors use free cash flow to measure Cogeco Communications' ability to repay debt, distribute capital to its shareholders and finance its growth. | Free cash flow:<br>- Cash flow from operating activities<br>add:<br>- Amortization of deferred transaction costs and discounts on long-term debt;<br>- Changes in non-cash operating activities;<br>- Income taxes paid; and<br>- Financial expense paid<br>deduct:<br>- Current income taxes;<br>- Financial expense; and<br>- Acquisition of property, plant and equipment. | Cash flow from operating activities |
| Adjusted EBITDA and adjusted EBITDA margin | Adjusted EBITDA and adjusted EBITDA margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength.<br><br>Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 4 of the Condensed Interim Consolidated Financial Statements. | Adjusted EBITDA:<br>- Profit for the period from continuing operations<br>add:<br>- Income taxes;<br>- Financial expense;<br>- Depreciation and amortization; and<br>- Integration, restructuring and acquisition costs. | Profit for the period from continuing operations |
| | | Adjusted EBITDA margin:<br>- Adjusted EBITDA<br>divided by:<br>- Revenue | No comparable IFRS measure |
| Constant currency basis | Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates. | Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year.<br><br>The average foreign exchange rates during the three and nine-month periods ended May 31, 2018 were 1.2846 USD/CDN and 1.2664 USD/CDN, respectively. | No comparable IFRS measure |
| Capital intensity | Capital intensity is used by Cogeco Communications' management and investors to assess the Corporation's investment in capital expenditures in order to support a certain level of revenue. | Capital intensity:<br>- Acquisition of property, plant and equipment<br>divided by:<br>- Revenue | No comparable IFRS measure |

## 14.1 FREE CASH FLOW RECONCILIATION

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 (1) | **May 31, 2019** | May 31, 2018 (1) |
| *(in thousands of dollars)* | **$** | $ | **$** | $ |
| **Cash flow from operating activities** | **265,551** | 167,073 | **564,009** | 365,310 |
| Amortization of deferred transaction costs and discounts on long-term debt | **2,193** | 4,812 | **6,514** | 16,468 |
| Changes in non-cash operating activities | **(13,343)** | 26,487 | **98,382** | 88,108 |
| Income taxes paid | **(9,769)** | 16,829 | **36,533** | 149,821 |
| Current income taxes | **(12,156)** | (11,420) | **(41,758)** | (58,987) |
| Financial expense paid | **42,732** | 57,548 | **130,640** | 126,627 |
| Financial expense | **(42,093)** | (60,261) | **(135,065)** | (137,747) |
| Acquisition of property, plant and equipment | **(96,116)** | (98,660) | **(289,446)** | (295,489) |
| **Free cash flow** | **136,999** | 102,408 | **369,809** | 254,111 |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

## 14.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 (1) | **May 31, 2019** | May 31, 2018 (1) |
| *(in thousands of dollars, except percentages)* | **$** | $ | **$** | $ |
| **Profit for the period from continuing operations** | **99,571** | 70,525 | **264,505** | 308,708 |
| Income taxes | **22,119** | 19,070 | **63,153** | (35,282) |
| Financial expense | **42,093** | 60,261 | **135,065** | 137,747 |
| Depreciation and amortization | **119,141** | 115,817 | **359,169** | 313,583 |
| Integration, restructuring and acquisition costs | **1,003** | 2,260 | **10,438** | 18,651 |
| **Adjusted EBITDA** | **283,927** | 267,933 | **832,330** | 743,407 |
| Revenue | **587,345** | 567,079 | **1,748,147** | 1,581,220 |
| **Adjusted EBITDA margin** | **48.3%** | 47.2% | **47.6%** | 47.0% |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

## 14.3 CAPITAL INTENSITY RECONCILIATION

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **May 31, 2019** | May 31, 2018 (1) | **May 31, 2019** | May 31, 2018 (1) |
| *(in thousands of dollars, except percentages)* | **$** | $ | **$** | $ |
| Acquisition of property, plant and equipment | **96,116** | 98,660 | **289,446** | 295,489 |
| Revenue | **587,345** | 567,079 | **1,748,147** | 1,581,220 |
| **Capital intensity** | **16.4%** | 17.4% | **16.6%** | 18.7% |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

# 15. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

| Three months ended | May 31, | | February 28, | | November 30, | | August 31, | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of dollars, except percentages and per share data)* | 2019 | 2018(1)(2) | 2019 | 2018(1)(2) | 2018(2) | 2017(1)(2) | 2018(1)(2) | 2017 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Operations** | | | | | | | | |
| Revenue | 587,345 | 567,079 | 584,129 | 529,855 | 576,673 | 484,286 | 566,184 | 551,728 |
| Adjusted EBITDA | 283,927 | 267,933 | 280,552 | 248,470 | 267,851 | 227,004 | 263,411 | 247,195 |
| Adjusted EBITDA margin | 48.3% | 47.2% | 48.0% | 46.9% | 46.4% | 46.9% | 46.5% | 44.8% |
| Integration, restructuring and acquisition costs | 1,003 | 2,260 | 3,722 | 15,999 | 5,713 | 392 | 1,677 | 3,191 |
| Profit for the period from continuing operations | 99,571 | 70,525 | 86,128 | 159,912 | 78,806 | 78,271 | 75,870 | — |
| Profit (loss) for the period from discontinued operations | 82,451 | (5,365) | (5,369) | (16,079) | (3,622) | (1,885) | (1,052) | — |
| Profit for the period | 182,022 | 65,160 | 80,759 | 143,833 | 75,184 | 76,386 | 74,818 | 71,335 |
| Profit for the period attributable to owners of the Corporation | 179,064 | 61,825 | 76,349 | 140,921 | 70,170 | 76,386 | 71,701 | 71,335 |
| **Cash flow** | | | | | | | | |
| Cash flow from operating activities | 265,551 | 167,073 | 199,462 | 198,720 | 98,996 | (483) | 255,438 | 345,957 |
| Acquisitions of property, plant and equipment | 96,116 | 98,660 | 92,773 | 112,378 | 100,557 | 84,451 | 162,319 | 145,162 |
| Free cash flow | 136,999 | 102,408 | 125,307 | 58,796 | 107,503 | 92,907 | 47,739 | 50,841 |
| Capital intensity | 16.4% | 17.4% | 15.9% | 21.2% | 17.4% | 17.4% | 28.7% | 26.3% |
| **Earnings (loss) per share(3)** | | | | | | | | |
| Basic | | | | | | | | |
| From continuing operations | 1.96 | 1.36 | 1.65 | 3.19 | 1.50 | 1.59 | 1.48 | — |
| From discontinued operations | 1.67 | (0.11) | (0.11) | (0.33) | (0.07) | (0.04) | (0.02) | — |
| From continuing and discontinued operations | 3.62 | 1.25 | 1.55 | 2.86 | 1.42 | 1.55 | 1.45 | 1.45 |
| Diluted | | | | | | | | |
| From continuing operations | 1.94 | 1.35 | 1.64 | 3.16 | 1.49 | 1.57 | 1.47 | — |
| From discontinued operations | 1.65 | (0.11) | (0.11) | (0.33) | (0.07) | (0.04) | (0.02) | — |
| From continuing and discontinued operations | 3.59 | 1.24 | 1.53 | 2.83 | 1.41 | 1.53 | 1.44 | 1.44 |
| Dividends per share | 0.525 | 0.475 | 0.525 | 0.475 | 0.525 | 0.475 | 0.475 | 0.43 |

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.

(2) Results were restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.

(3) Per multiple and subordinate voting share.

## 15.1 SEASONAL VARIATIONS

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations except as follows. In the Canadian and American broadband services segments, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the American broadband services segment, the Miami and New Hampshire/Maine areas are also subject to seasonal fluctuations due to the winter and summer seasons.

# 16. ADDITIONAL INFORMATION

This MD&A was prepared on July 10, 2019. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

| | |
|---|---|
| /s/ Louis Audet | /s/ Philippe Jetté |
| Louis Audet | Philippe Jetté |
| Executive Chairman of the Board | President and Chief Executive Officer |

Cogeco Communications Inc.
Montréal, Québec
July 10, 2019

COGECO COMMUNICATIONS

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2019

# COGECO COMMUNICATIONS INC.
## INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
*(unaudited)*

| | | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|---|
| | *Notes* | **2019** | 2018 | **2019** | 2018 |
| *(In thousands of Canadian dollars, except per share data)* | | **$** | $ | **$** | $ |
| | | | *(restated, Note 2)* | | *(restated, Note 2)* |
| **Revenue** | *3* | **587,345** | 567,079 | **1,748,147** | 1,581,220 |
| Operating expenses | *7* | **298,444** | 294,819 | **901,147** | 823,648 |
| Management fees – Cogeco Inc. | *18* | **4,974** | 4,327 | **14,670** | 14,165 |
| Integration, restructuring and acquisition costs | *4* | **1,003** | 2,260 | **10,438** | 18,651 |
| Depreciation and amortization | *8* | **119,141** | 115,817 | **359,169** | 313,583 |
| Financial expense | *9* | **42,093** | 60,261 | **135,065** | 137,747 |
| **Profit before income taxes** | | **121,690** | 89,595 | **327,658** | 273,426 |
| Income taxes | *10* | **22,119** | 19,070 | **63,153** | (35,282) |
| **Profit for the period from continuing operations** | | **99,571** | 70,525 | **264,505** | 308,708 |
| Profit (loss) for the period from discontinued operations | *6* | **82,451** | (5,365) | **73,460** | (23,329) |
| **Profit for the period** | | **182,022** | 65,160 | **337,965** | 285,379 |
| **Profit for the period attributable to:** | | | | | |
| Owners of the Corporation | | **179,064** | 61,825 | **325,583** | 279,132 |
| Non-controlling interest | | **2,958** | 3,335 | **12,382** | 6,247 |
| | | **182,022** | 65,160 | **337,965** | 285,379 |
| **Earnings (loss) per share** | | | | | |
| Basic | *11* | | | | |
| Profit for the period from continuing operations | | **1.96** | 1.36 | **5.11** | 6.14 |
| Profit (loss) for the period from discontinued operations | | **1.67** | (0.11) | **1.49** | (0.47) |
| Profit for the period | | **3.62** | 1.25 | **6.59** | 5.66 |
| Diluted | *11* | | | | |
| Profit for the period from continuing operations | | **1.94** | 1.35 | **5.07** | 6.08 |
| Profit (loss) for the period from discontinued operations | | **1.65** | (0.11) | **1.48** | (0.47) |
| Profit for the period | | **3.59** | 1.24 | **6.54** | 5.61 |

# COGECO COMMUNICATIONS INC.
## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
*(unaudited)*

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| *(In thousands of Canadian dollars)* | **$** | $ | **$** | $ |
| **Profit for the period** | **182,022** | 65,160 | **337,965** | 285,379 |
| **Other comprehensive income** | | | | |
| Items to be subsequently reclassified to profit or loss | | | | |
| *Cash flow hedging adjustments* | | | | |
| Net change in fair value of hedging derivative financial instruments | **(35,624)** | 3,164 | **(53,912)** | 32,104 |
| Related income taxes | **9,440** | (923) | **14,287** | (8,465) |
| | **(26,184)** | 2,241 | **(39,625)** | 23,639 |
| *Foreign currency translation adjustments* | | | | |
| Net foreign currency translation differences on net investments in foreign operations | **46,865** | 16,144 | **62,189** | 50,777 |
| Net changes on translation of long-term debt designated as hedges of net investments in foreign operations | **(21,820)** | (8,616) | **(29,802)** | (29,882) |
| Realized foreign currency translation adjustments on disposal of a subsidiary | **(29,809)** | — | **(29,809)** | — |
| Related income taxes | **—** | 8 | **—** | 377 |
| | **(4,764)** | 7,536 | **2,578** | 21,272 |
| | **(30,948)** | 9,777 | **(37,047)** | 44,911 |
| Items not to be subsequently reclassified to profit or loss | | | | |
| *Defined benefit plans actuarial adjustments* | | | | |
| Remeasurement of net defined benefit liability or asset | **(5,266)** | (297) | **(8,155)** | 1,897 |
| Related income taxes | **1,469** | 78 | **2,235** | (503) |
| | **(3,797)** | (219) | **(5,920)** | 1,394 |
| | **(34,745)** | 9,558 | **(42,967)** | 46,305 |
| **Comprehensive income for the period** | **147,277** | 74,718 | **294,998** | 331,684 |
| **Comprehensive income for the period attributable to:** | | | | |
| Owners of the Corporation | **134,731** | 67,846 | **270,087** | 315,020 |
| Non-controlling interest | **12,546** | 6,872 | **24,911** | 16,664 |
| | **147,277** | 74,718 | **294,998** | 331,684 |

# COGECO COMMUNICATIONS INC.
## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
*(unaudited)*

| | Equity attributable to owners of the Corporation | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share-based payment reserve | Accumulated other comprehensive income | Retained earnings | Equity attributable to non-controlling interest | Total shareholders' equity |
| *(In thousands of Canadian dollars)* | $ | $ | $ | $ | $ | $ |
| | *(Note 13)* | | *(restated, Note 2) (Note 14)* | *(restated, Note 2)* | *(restated, Note 2)* | *(restated, Note 2)* |
| Balance at August 31, 2017 | 1,017,636 | 13,086 | 76,635 | 517,781 | — | 1,625,138 |
| Profit for the period | — | — | — | 279,132 | 6,247 | 285,379 |
| Other comprehensive income for the period | — | — | 34,494 | 1,394 | 10,417 | 46,305 |
| Comprehensive income for the period | — | — | 34,494 | 280,526 | 16,664 | 331,684 |
| Issuance of subordinate voting shares under the Stock Option Plan | 3,388 | — | — | — | — | 3,388 |
| Share-based payment | — | 5,474 | — | — | — | 5,474 |
| Share-based payment previously recorded in share-based payment reserve for options exercised | 573 | (573) | — | — | — | — |
| Dividends (Note 13 C)) | — | — | — | (70,277) | — | (70,277) |
| Effect of changes in ownership of a subsidiary on non-controlling interest | — | — | — | 74,988 | (74,988) | — |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | (9,352) | — | — | — | — | (9,352) |
| Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | 4,772 | (4,636) | — | (136) | — | — |
| Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs | — | — | — | — | 388,907 | 388,907 |
| Total contributions by (distributions to) shareholders | (619) | 265 | — | 4,575 | 313,919 | 318,140 |
| Balance at May 31, 2018 | 1,017,017 | 13,351 | 111,129 | 802,882 | 330,583 | 2,274,962 |
| **Balance at August 31, 2018** | **1,017,172** | **15,260** | **113,774** | **850,963** | **336,442** | **2,333,611** |
| Profit for the period | — | — | — | 325,583 | 12,382 | 337,965 |
| Other comprehensive income (loss) for the period | — | — | (49,576) | (5,920) | 12,529 | (42,967) |
| Comprehensive income for the period | — | — | (49,576) | 319,663 | 24,911 | 294,998 |
| Issuance of subordinate voting shares under the Stock Option Plan | 3,894 | — | — | — | — | 3,894 |
| Share-based payment | — | 4,542 | — | — | — | 4,542 |
| Share-based payment previously recorded in share-based payment reserve for options exercised | 735 | (735) | — | — | — | — |
| Dividends (Note 13 C)) | — | — | — | (77,795) | — | (77,795) |
| Purchase and cancellation of subordinate voting shares | (4,363) | | | (10,097) | | (14,460) |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | (2,504) | — | — | — | — | (2,504) |
| Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | 4,868 | (4,566) | — | (302) | — | — |
| Total contributions by (distributions to) shareholders | 2,630 | (759) | — | (88,194) | — | (86,323) |
| **Balance at May 31, 2019** | **1,019,802** | **14,501** | **64,198** | **1,082,432** | **361,353** | **2,542,286** |

# COGECO COMMUNICATIONS INC.
## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
*(unaudited)*

| *(In thousands of Canadian dollars)* | *Notes* | May 31, 2019<br>$ | August 31, 2018<br>$<br>*(restated, Note 2)* | September 1, 2017<br>$<br>*(restated, Note 2)* |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | | **447,737** | 84,725 | 211,185 |
| Short-term investments | | **—** | — | 54,000 |
| Trade and other receivables | | **72,760** | 97,294 | 90,387 |
| Income taxes receivable | | **14,761** | 24,976 | 4,210 |
| Prepaid expenses and other | | **25,263** | 29,473 | 20,763 |
| Derivative financial instrument | | **243** | 1,330 | 98 |
| | | **560,764** | 237,798 | 380,643 |
| Non-current | | | | |
| Other assets | | **37,373** | 42,677 | 35,934 |
| Property, plant and equipment | | **2,003,945** | 2,323,678 | 1,970,862 |
| Intangible assets | | **2,894,186** | 2,927,388 | 1,936,765 |
| Goodwill | | **1,385,630** | 1,608,446 | 1,023,424 |
| Derivative financial instruments | | **—** | 33,797 | 759 |
| Pension plan assets | | **—** | 594 | — |
| Deferred tax assets | | **5,854** | 5,665 | 10,918 |
| | | **6,887,752** | 7,180,043 | 5,359,305 |
| **Liabilities and Shareholders' equity** | | | | |
| **Liabilities** | | | | |
| Current | | | | |
| Bank indebtedness | | **4,821** | 5,949 | 3,801 |
| Trade and other payables | | **184,953** | 302,806 | 316,762 |
| Provisions | | **33,283** | 25,887 | 23,010 |
| Income tax liabilities | | **14,248** | 16,133 | 103,649 |
| Contract liabilities and other liabilities | | **47,370** | 59,656 | 76,667 |
| Balance due on a business combination | | **4,599** | — | 118 |
| Derivative financial instruments | | **—** | — | 192 |
| Current portion of long-term debt | *12* | **22,996** | 77,188 | 131,915 |
| | | **312,270** | 487,619 | 656,114 |
| Non-current | | | | |
| Long-term debt | *12* | **3,434,163** | 3,781,020 | 2,444,518 |
| Derivative financial instruments | | **19,028** | — | — |
| Contract liabilities and other liabilities | | **10,947** | 20,125 | 12,992 |
| Pension plan liabilities and accrued employee benefits | | **11,705** | 2,784 | 4,934 |
| Deferred tax liabilities | | **557,353** | 554,884 | 615,609 |
| | | **4,345,466** | 4,846,432 | 3,734,167 |
| **Shareholders' equity** | | | | |
| Equity attributable to owners of the Corporation | | | | |
| Share capital | *13 B)* | **1,019,802** | 1,017,172 | 1,017,636 |
| Share-based payment reserve | | **14,501** | 15,260 | 13,086 |
| Accumulated other comprehensive income | *14* | **64,198** | 113,774 | 76,635 |
| Retained earnings | | **1,082,432** | 850,963 | 517,781 |
| | | **2,180,933** | 1,997,169 | 1,625,138 |
| Equity attributable to non-controlling interest | | **361,353** | 336,442 | — |
| | | **2,542,286** | 2,333,611 | 1,625,138 |
| | | **6,887,752** | 7,180,043 | 5,359,305 |

# COGECO COMMUNICATIONS INC.
## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
*(unaudited)*

| | | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|---|
| | Notes | 2019 | 2018 | 2019 | 2018 |
| *(In thousands of Canadian dollars)* | | $ | $ | $ | $ |
| | | | *(restated, Note 2)* | | *(restated, Note 2)* |
| **Cash flow from operating activities** | | | | | |
| Profit for the period from continuing operations | | 99,571 | 70,525 | 264,505 | 308,708 |
| Adjustments for: | | | | | |
| Depreciation and amortization | 8 | 119,141 | 115,817 | 359,169 | 313,583 |
| Financial expense | 9 | 42,093 | 60,261 | 135,065 | 137,747 |
| Income taxes | 10 | 22,119 | 19,070 | 63,153 | (35,282) |
| Share-based payment | 13 D) | 923 | 1,970 | 5,053 | 4,716 |
| Loss on disposals and write-offs of property, plant and equipment | | 941 | 509 | 1,651 | 1,283 |
| Defined benefit plans expense, net of contributions | | 383 | (215) | 968 | (889) |
| | | 285,171 | 267,937 | 829,564 | 729,866 |
| Changes in non-cash operating activities | 15 A) | 13,343 | (26,487) | (98,382) | (88,108) |
| Financial expense paid | | (42,732) | (57,548) | (130,640) | (126,627) |
| Income taxes paid | | 9,769 | (16,829) | (36,533) | (149,821) |
| | | 265,551 | 167,073 | 564,009 | 365,310 |
| **Cash flow from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | (96,116) | (98,660) | (289,446) | (295,489) |
| Redemption of short-term investments | | — | 34,000 | — | 54,000 |
| Business combinations, net of cash and cash equivalents acquired | 5 | — | 5,222 | (38,876) | (1,756,935) |
| Proceeds on disposals of property, plant and equipment | | 381 | 195 | 1,576 | 1,232 |
| | | (95,735) | (59,243) | (326,746) | (1,997,192) |
| **Cash flow from financing activities** | | | | | |
| Increase (decrease) in bank indebtedness | | (31,493) | 11,484 | (1,128) | 12,061 |
| Net increase (decrease) under the revolving facilities | | (440,034) | 397,002 | (443,955) | 397,910 |
| Issuance of long-term debt, net of discounts and transaction costs | | — | — | — | 2,082,408 |
| Repayments of long-term debt | | (5,749) | (611,440) | (71,989) | (1,323,496) |
| Repayment of balance due on a business combination | | — | — | (655) | (118) |
| Increase in deferred transaction costs | | — | — | (432) | (3,168) |
| Issuance of subordinate voting shares | 13 B) | 2,605 | 313 | 3,894 | 3,388 |
| Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid | | — | (140) | — | 388,907 |
| Purchase and cancellation of subordinate voting shares | | (14,460) | — | (14,460) | — |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | 13 B) | (2,504) | — | (2,504) | (9,352) |
| Dividends paid on multiple voting shares | 13 C) | (8,237) | (7,453) | (24,713) | (22,360) |
| Dividends paid on subordinate voting shares | 13 C) | (17,709) | (15,966) | (53,082) | (47,917) |
| | | (517,581) | (226,200) | (609,024) | 1,478,263 |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | | 1,710 | 555 | 966 | 2,052 |
| **Net change in cash and cash equivalents from continuing operations** | | (346,055) | (117,815) | (370,795) | (151,567) |
| **Net change in cash and cash equivalents from discontinued operations** | 6 | 734,405 | 6,983 | 733,807 | 3,200 |
| Cash and cash equivalents, beginning of the period | | 59,387 | 173,650 | 84,725 | 211,185 |
| **Cash and cash equivalents, end of the period** | | 447,737 | 62,818 | 447,737 | 62,818 |

## NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a communications corporation operating in Canada under the Cogeco Connexion name in Québec and Ontario, and along the East Coast of the United States under the Atlantic Broadband brand (in 11 states from Maine to Florida). Cogeco Communications provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks.

On April 30, 2019, the Corporation completed the sale of its Cogeco Peer 1 subsidiary (see Note 6).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.7% of the Corporation’s equity shares, representing 82.3% of the votes attached to the Corporation’s voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

The Corporation's registered office is located at 5 Place Ville Marie, Suite 1700, Montréal, Québec, H3B 0B3.

## 1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation’s interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation’s 2018 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2018 annual consolidated financial statements, unless as mentioned in Note 2. Certain comparative figures have been restated to conform to the retrospective application of the newly adopted accounting policies (Note 2) and to distinguish the impact of the discontinued operations from ongoing operations (Note 6).The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

The condensed interim consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments, cash-settled share-based payment arrangements and pension plan assets, which are measured at fair value, and for the defined benefit obligation and provisions, which are measured at present value.

Financial information is presented in Canadian dollars, which is the functional currency of the Corporation.

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the Canadian and American broadband services segments, the number of customers in the Internet and video services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St. Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the American broadband services segment, the Miami and New Hampshire/Maine areas are also subject to seasonal fluctuations.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on July 10, 2019.

# 2. CHANGES IN ACCOUNTING POLICIES

### IFRS 9 *Financial Instruments*

On September 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments,* which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes requirements for classification and measurement, impairment, derecognition and general hedge accounting. The Corporation adopted IFRS 9 on a retrospective basis.

The Corporation is applying the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets. The Corporation elected to continue to apply the hedge accounting requirements of IAS 39.

The adoption of IFRS 9 had no significant impact on the consolidated financial statements.

### IFRS 15 *Revenue from Contracts with Customers*

On September 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*, on a fully retrospective basis. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, five-step model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In addition, IFRS 15 requires additional disclosure in the consolidated financial statements regarding the Corporation's revenue. IFRS 15 supersedes the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*.

The adoption of IFRS 15 has an impact on residential non-refundable upfront installation fees charged to broadband service customers. Such revenue is deferred and amortized over the period the fee remains material to the customer, which the Corporation estimated to be six months. The estimate required consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. Prior to IFRS 15, these installation fees were deferred and amortized as revenue at the same pace as the revenue from the related services was earned, which was the average life of a customer's subscription for broadband service customers.

The adoption of IFRS 15 also impacted the consolidated financial statements with regards to the capitalization of costs to obtain a contract. Costs to obtain a contract (such as direct and incremental costs associated with the acquisition of customers) are recognized as an asset and recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation. Prior to IFRS 15, direct and incremental costs associated with the acquisition of customers were capitalized as intangible assets for contracts lasting greater than one year, and amortized over the term of the revenue arrangement. For contracts with durations of less than one year, these costs were recognized in operating expenses as incurred.

Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are deferred as contract costs in other assets and recognized over the term of the contract, as a reduction of revenue. Prior to IFRS 15, these fees were capitalized in property, plant and equipment and recognized in depreciation expense, over the term of the contract.

### RECLASSIFICATION OF RECONNECT COSTS

Following an in-depth analysis of all contract costs, stemming from the adoption of IFRS 15, the Corporation reviewed the reconnect and additional service activation costs ("reconnect costs") generated by the customer reconnect activity. Prompted by the significant change in technology that occurred over time regarding the activities required to reconnect customers, the Corporation determined that the reconnect costs are incurred to ensure that the customer premise equipment ("CPE") is functioning as per the intended use and within the required parameters. Thus the reconnect costs are directly attributable to bringing the CPE assets to their condition necessary for the intended operating manner.

Consequently, the Corporation changed its accounting policy with respect to reconnect costs which are now recognized as property, plant and equipment, and depreciated over the expected useful life of the CPE. Previously, reconnect costs were capitalized as intangible assets up to a maximum not exceeding the revenue generated by the reconnect activity, and amortized over the average life of a customer's subscription, not exceeding eight years.

The Corporation believes this change in accounting policy will better reflect the current nature of the reconnect costs.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

### IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in the accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three and nine-month periods ended May 31, 2018, the year ended August 31, 2018 and the consolidated statements of financial position as at August 31, 2018 and September 1, 2017. The impact on the Corporation's consolidated financial statements of adopting these accounting policies is provided below.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| Three months ended May 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** | 567,144 | (65) | — | 567,079 |
| Operating expenses | 296,101 | (227) | (1,055) | 294,819 |
| Management fees – Cogeco Inc. | 4,327 | — | — | 4,327 |
| Integration, restructuring and acquisition costs | 2,260 | — | — | 2,260 |
| Depreciation and amortization | 115,368 | (749) | 1,198 | 115,817 |
| Financial expense | 60,261 | — | — | 60,261 |
| **Profit before income taxes** | 88,827 | 911 | (143) | 89,595 |
| Income taxes | 18,924 | 184 | (38) | 19,070 |
| **Profit for the period from continuing operations** | 69,903 | 727 | (105) | 70,525 |
| Loss for the period from discontinued operations | (5,365) | — | — | (5,365) |
| **Profit for the period** | 64,538 | 727 | (105) | 65,160 |
| **Profit for the period attributable to:** | | | | |
| Owners of the Corporation | 61,260 | 661 | (96) | 61,825 |
| Non-controlling interest | 3,278 | 66 | (9) | 3,335 |
| | 64,538 | 727 | (105) | 65,160 |
| **Earnings (loss) per share** | | | | |
| Basic | | | | |
| Profit for the period from continuing operations | 1.35 | | | 1.36 |
| Profit (loss) for the period from discontinued operations | (0.11) | | | (0.11) |
| Profit for the period | 1.24 | | | 1.25 |
| Diluted | | | | |
| Profit for the period from continuing operations | 1.34 | | | 1.35 |
| Profit (loss) for the period from discontinued operations | (0.11) | | | (0.11) |
| Profit for the period | 1.23 | | | 1.24 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| Nine months ended May 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** | 1,581,570 | (350) | — | 1,581,220 |
| Operating expenses | 826,986 | (1) | (3,337) | 823,648 |
| Management fees – Cogeco Inc. | 14,165 | — | — | 14,165 |
| Integration, restructuring and acquisition costs | 18,651 | — | — | 18,651 |
| Depreciation and amortization | 311,783 | (2,016) | 3,816 | 313,583 |
| Financial expense | 137,747 | — | — | 137,747 |
| **Profit before income taxes** | 272,238 | 1,667 | (479) | 273,426 |
| Income taxes | (33,861) | (1,294) | (127) | (35,282) |
| **Profit for the period from continuing operations** | 306,099 | 2,961 | (352) | 308,708 |
| Loss for the period from discontinued operations | (23,329) | — | — | (23,329) |
| **Profit for the period** | 282,770 | 2,961 | (352) | 285,379 |
| **Profit for the period attributable to:** | | | | |
| Owners of the Corporation | 276,616 | 2,855 | (339) | 279,132 |
| Non-controlling interest | 6,154 | 106 | (13) | 6,247 |
| | 282,770 | 2,961 | (352) | 285,379 |
| **Earnings (loss) per share** | | | | |
| Basic | | | | |
| Profit for the period from continuing operations | 6.08 | | | 6.14 |
| Profit (loss) for the period from discontinued operations | (0.47) | | | (0.47) |
| Profit for the period | 5.61 | | | 5.66 |
| Diluted | | | | |
| Profit for the period from continuing operations | 6.03 | | | 6.08 |
| Profit (loss) for the period from discontinued operations | (0.47) | | | (0.47) |
| Profit for the period | 5.56 | | | 5.61 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| Year ended August 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** | 2,147,597 | (193) | — | 2,147,404 |
| Operating expenses | 1,126,723 | (619) | (4,479) | 1,121,625 |
| Management fees – Cogeco Inc. | 18,961 | — | — | 18,961 |
| Integration, restructuring and acquisition costs | 20,328 | — | — | 20,328 |
| Depreciation and amortization | 431,598 | (2,827) | 4,883 | 433,654 |
| Financial expense | 185,456 | — | — | 185,456 |
| **Profit before income taxes** | 364,531 | 3,253 | (404) | 367,380 |
| Income taxes | (16,191) | (1,129) | 122 | (17,198) |
| **Profit for the year from continuing operations** | 380,722 | 4,382 | (526) | 384,578 |
| Loss for the year from discontinued operations | (24,381) | — | — | (24,381) |
| **Profit for the year** | 356,341 | 4,382 | (526) | 360,197 |
| **Profit for the year attributable to:** | | | | |
| Owners of the Corporation | 347,150 | 4,185 | (502) | 350,833 |
| Non-controlling interest | 9,191 | 197 | (24) | 9,364 |
| | 356,341 | 4,382 | (526) | 360,197 |
| **Earnings (loss) per share** | | | | |
| Basic | | | | |
| Profit for the year from continuing operations | 7.54 | | | 7.61 |
| Loss for the year from discontinued operations | (0.49) | | | (0.49) |
| Profit for the year | 7.04 | | | 7.12 |
| Diluted | | | | |
| Profit for the year from continuing operations | 7.48 | | | 7.55 |
| Loss for the year from discontinued operations | (0.49) | | | (0.49) |
| Profit for the year | 6.98 | | | 7.06 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| As at August 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | 84,725 | — | — | 84,725 |
| Trade and other receivables | 97,294 | — | — | 97,294 |
| Income taxes receivable | 24,976 | — | — | 24,976 |
| Prepaid expenses and other | 29,473 | — | — | 29,473 |
| Derivative financial instrument | 1,330 | — | — | 1,330 |
| | 237,798 | — | — | 237,798 |
| Non-current | | | | |
| Other assets | 7,349 | 35,328 | — | 42,677 |
| Property, plant and equipment | 2,302,676 | (8,692) | 29,694 | 2,323,678 |
| Intangible assets | 2,971,088 | (16,801) | (26,899) | 2,927,388 |
| Goodwill | 1,608,446 | — | — | 1,608,446 |
| Derivative financial instruments | 33,797 | — | — | 33,797 |
| Pension plan assets | 594 | — | — | 594 |
| Deferred tax assets | 5,665 | — | — | 5,665 |
| | 7,167,413 | 9,835 | 2,795 | 7,180,043 |
| **Liabilities and Shareholders' equity** | | | | |
| **Liabilities** | | | | |
| Current | | | | |
| Bank indebtedness | 5,949 | — | — | 5,949 |
| Trade and other payables | 302,806 | — | — | 302,806 |
| Provisions | 25,887 | — | — | 25,887 |
| Income tax liabilities | 16,133 | — | — | 16,133 |
| Contract liabilities and other liabilities | 67,699 | (8,043) | — | 59,656 |
| Current portion of long-term debt | 77,188 | — | — | 77,188 |
| | 495,662 | (8,043) | — | 487,619 |
| Non-current | | | | |
| Long-term debt | 3,781,020 | — | — | 3,781,020 |
| Contract liabilities and other liabilities | 40,560 | (20,435) | — | 20,125 |
| Pension plan liabilities and accrued employee benefits | 2,784 | — | — | 2,784 |
| Deferred tax liabilities | 543,856 | 10,079 | 949 | 554,884 |
| | 4,863,882 | (18,399) | 949 | 4,846,432 |
| **Shareholders' equity** | | | | |
| Equity attributable to owners of the Corporation | | | | |
| Share capital | 1,017,172 | — | — | 1,017,172 |
| Share-based payment reserve | 15,260 | — | — | 15,260 |
| Accumulated other comprehensive income | 113,500 | 274 | — | 113,774 |
| Retained earnings | 821,409 | 27,708 | 1,846 | 850,963 |
| | 1,967,341 | 27,982 | 1,846 | 1,997,169 |
| Equity attributable to non-controlling interest | 336,190 | 252 | — | 336,442 |
| | 2,303,531 | 28,234 | 1,846 | 2,333,611 |
| | 7,167,413 | 9,835 | 2,795 | 7,180,043 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| As at September 1, 2017 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Assets** | | | | |
| Current | | | | |
| Cash and cash equivalents | 211,185 | — | — | 211,185 |
| Short-term investments | 54,000 | — | — | 54,000 |
| Trade and other receivables | 90,387 | — | — | 90,387 |
| Income taxes receivable | 4,210 | — | — | 4,210 |
| Prepaid expenses and other | 20,763 | — | — | 20,763 |
| Derivative financial instrument | 98 | — | — | 98 |
| | 380,643 | — | — | 380,643 |
| Non-current | | | | |
| Other assets | 7,095 | 28,839 | — | 35,934 |
| Property, plant and equipment | 1,947,239 | (6,258) | 29,881 | 1,970,862 |
| Intangible assets | 1,978,302 | (14,850) | (26,687) | 1,936,765 |
| Goodwill | 1,023,424 | — | — | 1,023,424 |
| Derivative financial instruments | 759 | — | — | 759 |
| Deferred tax assets | 10,918 | — | — | 10,918 |
| | 5,348,380 | 7,731 | 3,194 | 5,359,305 |
| **Liabilities and Shareholders' equity** | | | | |
| **Liabilities** | | | | |
| Current | | | | |
| Bank indebtedness | 3,801 | — | — | 3,801 |
| Trade and other payables | 316,762 | — | — | 316,762 |
| Provisions | 23,010 | — | — | 23,010 |
| Income tax liabilities | 103,649 | — | — | 103,649 |
| Contract liabilities and other liabilities | 85,005 | (8,338) | — | 76,667 |
| Balance due on a business combination | 118 | — | — | 118 |
| Derivative financial instruments | 192 | — | — | 192 |
| Current portion of long-term debt | 131,915 | — | — | 131,915 |
| | 664,452 | (8,338) | — | 656,114 |
| Non-current | | | | |
| Long-term debt | 2,444,518 | — | — | 2,444,518 |
| Contract liabilities and other liabilities | 31,462 | (18,470) | — | 12,992 |
| Pension plan liabilities and accrued employee benefits | 4,934 | — | — | 4,934 |
| Deferred tax liabilities | 603,747 | 11,016 | 846 | 615,609 |
| | 3,749,113 | (15,792) | 846 | 3,734,167 |
| **Shareholders' equity** | | | | |
| Equity attributable to owners of the Corporation | | | | |
| Share capital | 1,017,636 | — | — | 1,017,636 |
| Share-based payment reserve | 13,086 | — | — | 13,086 |
| Accumulated other comprehensive income | 76,635 | — | — | 76,635 |
| Retained earnings | 491,910 | 23,523 | 2,348 | 517,781 |
| | 1,599,267 | 23,523 | 2,348 | 1,625,138 |
| Equity attributable to non-controlling interest | — | — | — | — |
| | 1,599,267 | 23,523 | 2,348 | 1,625,138 |
| | 5,348,380 | 7,731 | 3,194 | 5,359,305 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

### CONSOLIDATED STATEMENTS OF CASH FLOWS

| Three months ended May 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cash flow from operating activities** | | | | |
| Profit for the period from continuing operations | 69,903 | 727 | (105) | 70,525 |
| Adjustments for: | | | | |
| Depreciation and amortization | 115,368 | (749) | 1,198 | 115,817 |
| Financial expense | 60,261 | — | — | 60,261 |
| Income taxes | 18,924 | 184 | (38) | 19,070 |
| Share-based payment | 1,970 | — | — | 1,970 |
| Loss on disposals and write-offs of property, plant and equipment | 509 | — | — | 509 |
| Defined benefit plans expense, net of contributions | (215) | — | — | (215) |
| | 266,720 | 162 | 1,055 | 267,937 |
| Changes in non-cash operating activities | (24,710) | (1,777) | — | (26,487) |
| Financial expense paid | (57,548) | — | — | (57,548) |
| Income taxes paid | (16,829) | — | — | (16,829) |
| | 167,633 | (1,615) | 1,055 | 167,073 |
| **Cash flow from investing activities** | | | | |
| Acquisition of property, plant and equipment | (95,406) | 707 | (3,961) | (98,660) |
| Acquisition of intangible and other assets | (3,814) | 908 | 2,906 | — |
| Redemption of short-term investments | 34,000 | — | — | 34,000 |
| Business combination, net of cash and cash equivalents acquired | 5,222 | — | — | 5,222 |
| Proceeds on disposals of property, plant and equipment | 195 | — | — | 195 |
| | (59,803) | 1,615 | (1,055) | (59,243) |
| **Cash flow from financing activities** | | | | |
| Increase in bank indebtedness | 11,484 | — | — | 11,484 |
| Net increase under the revolving facilities | 397,002 | — | — | 397,002 |
| Repayments of long-term debt | (611,440) | — | — | (611,440) |
| Issuance of subordinate voting shares | 313 | — | — | 313 |
| Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid | (140) | — | — | (140) |
| Dividends paid on multiple voting shares | (7,453) | — | — | (7,453) |
| Dividends paid on subordinate voting shares | (15,966) | — | — | (15,966) |
| | (226,200) | — | — | (226,200) |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | 555 | — | — | 555 |
| **Net change in cash and cash equivalents from continuing operations** | (117,815) | — | — | (117,815) |
| **Net change in cash and cash equivalents from discontinued operations** | 6,983 | — | — | 6,983 |
| Cash and cash equivalents, beginning of the period | 173,650 | — | — | 173,650 |
| **Cash and cash equivalents, end of the period** | 62,818 | — | — | 62,818 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| Nine months ended May 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cash flow from operating activities** | | | | |
| Profit for the period from continuing operations | 306,099 | 2,961 | (352) | 308,708 |
| Adjustments for: | | | | |
| Depreciation and amortization | 311,783 | (2,016) | 3,816 | 313,583 |
| Financial expense | 137,747 | — | — | 137,747 |
| Income taxes | (33,861) | (1,294) | (127) | (35,282) |
| Share-based payment | 4,716 | — | — | 4,716 |
| Loss on disposals and write-offs of property, plant and equipment | 1,283 | — | — | 1,283 |
| Defined benefit plans contributions, net of expense | (889) | — | — | (889) |
| | 726,878 | (349) | 3,337 | 729,866 |
| Changes in non-cash operating activities | (83,014) | (5,094) | — | (88,108) |
| Financial expense paid | (126,627) | — | — | (126,627) |
| Income taxes paid | (149,821) | — | — | (149,821) |
| | 367,416 | (5,443) | 3,337 | 365,310 |
| **Cash flow from investing activities** | | | | |
| Acquisition of property, plant and equipment | (286,476) | 3,030 | (12,043) | (295,489) |
| Acquisition of intangible and other assets | (11,119) | 2,413 | 8,706 | — |
| Redemption of short-term investments | 54,000 | — | — | 54,000 |
| Business combination, net of cash and cash equivalents acquired | (1,756,935) | — | — | (1,756,935) |
| Proceeds on disposals of property, plant and equipment | 1,232 | — | — | 1,232 |
| | (1,999,298) | 5,443 | (3,337) | (1,997,192) |
| **Cash flow from financing activities** | | | | |
| Increase in bank indebtedness | 12,061 | — | — | 12,061 |
| Net increase under the revolving facilities | 397,910 | — | — | 397,910 |
| Issuance of long-term debt, net of discounts and transaction costs | 2,082,408 | — | — | 2,082,408 |
| Repayments of long-term debt | (1,323,496) | — | — | (1,323,496) |
| Repayment of balance due on a business combination | (118) | — | — | (118) |
| Increase in deferred transaction costs | (3,168) | — | — | (3,168) |
| Issuance of subordinate voting shares | 3,388 | — | — | 3,388 |
| Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid | 388,907 | — | — | 388,907 |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | (9,352) | — | — | (9,352) |
| Dividends paid on multiple voting shares | (22,360) | — | — | (22,360) |
| Dividends paid on subordinate voting shares | (47,917) | — | — | (47,917) |
| | 1,478,263 | — | — | 1,478,263 |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | 2,052 | — | — | 2,052 |
| **Net change in cash and cash equivalents from continuing operations** | (151,567) | — | — | (151,567) |
| **Net change in cash and cash equivalents from discontinued operations** | 3,200 | — | — | 3,200 |
| Cash and cash equivalents, beginning of the period | 211,185 | — | — | 211,185 |
| **Cash and cash equivalents, end of the period** | 62,818 | — | — | 62,818 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| Year ended August 31, 2018 | As previously reported | IFRS 15 impact | Reclassification impact | As currently reported |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cash flow from operating activities** | | | | |
| Profit for the year from continuing operations | 380,722 | 4,382 | (526) | 384,578 |
| Adjustments for: | | | | |
| Depreciation and amortization | 431,598 | (2,827) | 4,883 | 433,654 |
| Financial expense | 185,456 | — | — | 185,456 |
| Income taxes | (16,191) | (1,129) | 122 | (17,198) |
| Share-based payment | 6,772 | — | — | 6,772 |
| Loss on disposals and write-offs of property, plant and equipment | 1,916 | — | — | 1,916 |
| Defined benefit plans contributions, net of expense | (714) | — | — | (714) |
| | 989,559 | 426 | 4,479 | 994,464 |
| Changes in non-cash operating activities | (16,645) | (7,258) | — | (23,903) |
| Financial expense paid | (174,650) | — | — | (174,650) |
| Income taxes paid | (175,163) | — | — | (175,163) |
| | 623,101 | (6,832) | 4,479 | 620,748 |
| **Cash flow from investing activities** | | | | |
| Acquisition of property, plant and equipment | (445,154) | 3,631 | (16,285) | (457,808) |
| Acquisition of intangible and other assets | (15,007) | 3,201 | 11,806 | — |
| Acquisition of Spectrum licenses | (32,306) | — | — | (32,306) |
| Redemption of short-term investments | 54,000 | — | — | 54,000 |
| Business combination, net of cash and cash equivalents acquired | (1,756,935) | — | — | (1,756,935) |
| Proceeds on disposals of property, plant and equipment | 1,383 | — | — | 1,383 |
| | (2,194,019) | 6,832 | (4,479) | (2,191,666) |
| **Cash flow from financing activities** | | | | |
| Increase in bank indebtedness | 2,148 | — | — | 2,148 |
| Net increase under the revolving facilities | 384,568 | — | — | 384,568 |
| Issuance of long-term debt, net of discounts and transaction costs | 2,082,408 | — | — | 2,082,408 |
| Repayments of long-term debt | (1,329,044) | — | — | (1,329,044) |
| Repayment of balance due on a business combination | (118) | — | — | (118) |
| Increase in deferred transaction costs | (3,168) | — | — | (3,168) |
| Issuance of subordinate voting shares | 3,486 | — | — | 3,486 |
| Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid | 388,907 | — | — | 388,907 |
| Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans | (9,352) | — | — | (9,352) |
| Dividends paid on multiple voting shares | (29,813) | — | — | (29,813) |
| Dividends paid on subordinate voting shares | (63,886) | — | — | (63,886) |
| | 1,426,136 | — | — | 1,426,136 |
| **Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency** | 1,989 | — | — | 1,989 |
| **Net change in cash and cash equivalents from continuing operations** | (142,793) | — | — | (142,793) |
| **Net change in cash and cash equivalents from discontinued operations** | 16,333 | — | — | 16,333 |
| Cash and cash equivalents, beginning of the year | 211,185 | — | — | 211,185 |
| **Cash and cash equivalents, end of the year** | 84,725 | — | — | 84,725 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 3. REVENUE

| | Canadian broadband services | | American broadband services | | Inter-segment eliminations and other | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| Three months ended May 31, | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Revenue from customers | | | | | | | | |
| Residential [(1)] | 292,109 | 295,340 | 223,298 | 205,378 | — | — | 515,407 | 500,718 |
| Commercial [(2)] | 33,451 | 31,552 | 31,452 | 26,118 | — | — | 64,903 | 57,670 |
| Other [(3)] | 248 | 2,252 | 6,787 | 6,313 | — | 126 | 7,035 | 8,691 |
| | 325,808 | 329,144 | 261,537 | 237,809 | — | 126 | 587,345 | 567,079 |

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.
(2) Includes revenue from Internet, video and telephony commercial customers.
(3) Includes advertising revenue, late fees, rental income and other miscellaneous revenue.

| | Canadian broadband services | | American broadband services | | Inter-segment eliminations and other | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended May 31, | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Revenue from customers | | | | | | | | |
| Residential [(1)] | 876,825 | 882,865 | 660,204 | 516,200 | — | — | 1,537,029 | 1,399,065 |
| Commercial [(2)] | 97,429 | 93,176 | 91,624 | 67,650 | — | — | 189,053 | 160,826 |
| Other [(3)] | 778 | 4,124 | 21,287 | 17,079 | — | 126 | 22,065 | 21,329 |
| | 975,032 | 980,165 | 773,115 | 600,929 | — | 126 | 1,748,147 | 1,581,220 |

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.
(2) Includes revenue from Internet, video and telephony commercial customers.
(3) Includes advertising revenue, late fees, rental income and other miscellaneous revenue.

# 4. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across their coverage areas.The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

The previously reported Business ICT services segment, comprised of the Cogeco Peer 1 operations, is now reported in discontinued operations following the sale on April 30, 2019 of the Cogeco Peer 1 subsidiary. Information about this discontinued segment is provided in Note 6.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to revenue less operating expenses. The other expenses, except for management fees, financial expense and income taxes, are reported by segment solely for external reporting purposes. Management fees, financial expense and income taxes are managed on a consolidated basis and, accordingly, are not reflected in segmented results. The Inter-segment eliminations and other, eliminate any intercompany transactions included in each segment's operating results and include head office activities. Transactions between operating segments are measured at the amounts agreed to between the parties.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| Three months ended May 31, 2019 | Canadian broadband services | American broadband services | Inter-segment eliminations and other | Consolidated |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Revenue** [(1)] | **325,808** | **261,537** | **—** | **587,345** |
| Operating expenses | 147,054 | 145,836 | 5,554 | 298,444 |
| Management fees – Cogeco Inc. | — | — | 4,974 | 4,974 |
| **Segment profit (loss)** | **178,754** | **115,701** | **(10,528)** | **283,927** |
| Integration, restructuring and acquisition costs [(2)] | 610 | 393 | — | 1,003 |
| Depreciation and amortization | 64,207 | 54,918 | 16 | 119,141 |
| Financial expense | | | | 42,093 |
| **Profit before income taxes** | | | | **121,690** |
| Income taxes | | | | 22,119 |
| **Profit for the period from continuing operations** | | | | **99,571** |
| Acquisition of property, plant and equipment | 49,729 | 46,387 | — | 96,116 |

(1) Revenue by geographic market includes $325,808 in Canada and $261,537 in the United States.
(2) Comprised of restructuring costs within the Canadian broadband services segment and acquisition and integration costs in the American broadband services segment.

| Three months ended May 31, 2018 | Canadian broadband services | American broadband services | Inter-segment eliminations and other | Consolidated |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| | *(restated, Note 2)* | *(restated, Note 2)* | | *(restated, Note 2)* |
| **Revenue** [(1)] | 329,144 | 237,809 | 126 | 567,079 |
| Operating expenses | 156,391 | 131,613 | 6,815 | 294,819 |
| Management fees – Cogeco Inc. | — | — | 4,327 | 4,327 |
| **Segment profit (loss)** | 172,753 | 106,196 | (11,016) | 267,933 |
| Integration, restructuring and acquisition costs [(2)] | — | 2,260 | — | 2,260 |
| Depreciation and amortization | 62,443 | 53,298 | 76 | 115,817 |
| Financial expense | | | | 60,261 |
| **Profit before income taxes** | | | | 89,595 |
| Income taxes | | | | 19,070 |
| **Profit for the period from continuing operations** | | | | 70,525 |
| Acquisition of property, plant and equipment | 53,206 | 45,454 | — | 98,660 |

(1) Revenue by geographic market includes $329,270 in Canada and $237,809 in the United States.
(2) Comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| | Canadian broadband services | American broadband services | Inter-segment eliminations and other | Consolidated |
|---|---|---|---|---|
| | | | | **Nine months ended May 31, 2019** |
| | $ | $ | $ | $ |
| **Revenue** (1) | 975,032 | 773,115 | — | 1,748,147 |
| Operating expenses | 458,471 | 422,993 | 19,683 | 901,147 |
| Management fees – Cogeco Inc. | — | — | 14,670 | 14,670 |
| **Segment profit (loss)** | 516,561 | 350,122 | (34,353) | 832,330 |
| Integration, restructuring and acquisition costs (2) | 9,269 | 1,169 | — | 10,438 |
| Depreciation and amortization | 190,398 | 168,710 | 61 | 359,169 |
| Financial expense | | | | 135,065 |
| **Profit before income taxes** | | | | 327,658 |
| Income taxes | | | | 63,153 |
| **Profit for the period from continuing operations** | | | | 264,505 |
| Acquisition of property, plant and equipment | 162,808 | 126,638 | — | 289,446 |

(1) Revenue by geographic market includes $975,032 in Canada and $773,115 in the United States.

(2) Comprised of restructuring costs within the Canadian broadband services segment and acquisition and integration costs in the American broadband services segment.

| | Canadian broadband services | American broadband services | Inter-segment eliminations and other | Consolidated |
|---|---|---|---|---|
| | | | | Nine months ended May 31, 2018 |
| | $ | $ | $ | $ |
| | *(restated, Note 2)* | *(restated, Note 2)* | | *(restated, Note 2)* |
| **Revenue** (1) | 980,165 | 600,929 | 126 | 1,581,220 |
| Operating expenses | 465,326 | 341,666 | 16,656 | 823,648 |
| Management fees – Cogeco Inc. | — | — | 14,165 | 14,165 |
| **Segment profit (loss)** | 514,839 | 259,263 | (30,695) | 743,407 |
| Integration, restructuring and acquisition costs (2) | — | 18,651 | — | 18,651 |
| Depreciation and amortization | 181,168 | 132,188 | 227 | 313,583 |
| Financial expense | | | | 137,747 |
| **Profit before income taxes** | | | | 273,426 |
| Income taxes | | | | (35,282) |
| **Profit for the period from continuing operations** | | | | 308,708 |
| Acquisition of property, plant and equipment | 155,823 | 139,666 | — | 295,489 |

(1) Revenue by geographic market includes $980,291 in Canada and $600,929 in the United States.

(2) Comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

The following tables set out certain segmented and geographic market information at May 31, 2019 and August 31, 2018:

| | Canadian broadband services | American broadband services | Inter-segment eliminations and other | Total |
|---|---|---|---|---|
| | | | | **At May 31, 2019** |
| | $ | $ | $ | $ |
| Property, plant and equipment | 1,109,220 | 894,622 | 103 | 2,003,945 |
| Intangible assets | 997,266 | 1,896,920 | — | 2,894,186 |
| Goodwill | 4,662 | 1,380,968 | — | 1,385,630 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

| | Canadian broadband services | American broadband services | Business ICT services | Inter-segment eliminations and other | At August 31, 2018 Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| | *(restated, Note 2)* | *(restated, Note 2)* | *(restated, Note 2)* | | *(restated, Note 2)* |
| Property, plant and equipment | 1,135,404 | 821,080 | 367,030 | 164 | 2,323,678 |
| Intangible assets | 1,000,177 | 1,869,626 | 57,585 | — | 2,927,388 |
| Goodwill | 4,662 | 1,332,781 | 271,003 | — | 1,608,446 |

| | **Canada** | **United States** | **At May 31, 2019 Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Property, plant and equipment | **1,109,323** | **894,622** | **2,003,945** |
| Intangible assets | **997,266** | **1,896,920** | **2,894,186** |
| Goodwill | **4,662** | **1,380,968** | **1,385,630** |

| | Canada | United States | Europe | At August 31, 2018 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| | *(restated, Note 2)* | *(restated, Note 2)* | *(restated, Note 2)* | *(restated, Note 2)* |
| Property, plant and equipment | 1,436,613 | 860,411 | 26,654 | 2,323,678 |
| Intangible assets | 1,040,937 | 1,885,504 | 947 | 2,927,388 |
| Goodwill | 221,867 | 1,371,992 | 14,587 | 1,608,446 |

# 5. BUSINESS COMBINATION

### Purchase of a fibre network and corresponding assets

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband’s existing south Florida footprint.

The acquisition was accounted for using the purchase method and is subject to post closing adjustments. The preliminary allocation of the purchase price of this acquisition is as follows:

| | Preliminary |
|---|---|
| | $ |
| **Purchase price** | |
| Consideration paid at closing | **38,876** |
| Balance due on a business combination | **5,005** |
| | **43,881** |
| **Net assets acquired** | |
| Trade and other receivables | **1,743** |
| Prepaid expenses and other | **335** |
| Property, plant and equipment | **45,769** |
| Trade and other payables assumed | **(644)** |
| Contract liabilities and other liabilities assumed | **(3,322)** |
| | **43,881** |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 6. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. As a result of the sale, which is subject to closing adjustments, the Corporation recognized the following gain on disposal in the interim consolidated statement of profit or loss for the three-month period ended May 31, 2019:

| | $ |
|---|---|
| Gross proceeds, net of cash disposed | 720,314 |
| Preliminary working capital adjustments | (1,229) |
| Transaction costs | (10,903) |
| Net proceeds from sale, net of cash disposed | 708,182 |
| Net assets disposed | (625,738) |
| **Gain on disposal of a subsidiary** | **82,444** |

The following table presents the carrying value of the net assets disposed of:

| | $ |
|---|---|
| Trade and other receivables | 19,988 |
| Income taxes receivable | 1,126 |
| Prepaid expenses and other | 8,532 |
| Property, plant and equipment | 361,774 |
| Intangible assets | 49,618 |
| Other assets | 9,594 |
| Goodwill | 272,591 |
| Deferred tax assets | 2,061 |
| Trade and other payables | (22,416) |
| Provisions | (34) |
| Contract liabilities and other liabilities | (25,104) |
| Deferred tax liabilities | (22,183) |
| Foreign currency translation adjustment | (29,809) |
| | **625,738** |

As a result and in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations. The results of Cogeco Peer 1 are excluded from both continuing operations and operating segments information in the interim consolidated financial statements and the notes to the interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the interim consolidated statement of profit or loss for the current and comparative periods.

The profit or loss of the discontinued operations was as follows:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** (1) | 2018 | **2019** (1) | 2018 |
| | **$** | $ | **$** | $ |
| **Revenue** | **42,177** | 69,986 | **174,990** | 208,123 |
| Operating expenses | **33,196** | 50,925 | **132,390** | 149,942 |
| Depreciation and amortization | **—** | 24,602 | **43,999** | 72,325 |
| Financial expense | **(775)** | (306) | **(1,304)** | (757) |
| Gain on disposal of a subsidiary | **(82,444)** | — | **(82,444)** | — |
| **Profit (loss) before income taxes** | **92,200** | (5,235) | **82,349** | (13,387) |
| Income taxes | **9,749** | 130 | **8,889** | 9,942 |
| **Profit (loss) for the period from discontinued operations** | **82,451** | (5,365) | **73,460** | (23,329) |

(1) Fiscal 2019 amounts reflect the two and eight-month periods ended April 30,2019.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

The cash flows of the discontinued operations were as follows:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 (1) | 2018 | 2019 (1) | 2018 |
| | $ | $ | $ | $ |
| Cash flow from operating activities | 22,799 | 18,675 | 41,962 | 37,167 |
| Cash flow from investing activities | 711,550 | (11,775) | 691,729 | (34,011) |
| Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies | 56 | 83 | 116 | 44 |
| **Net change in cash and cash equivalents from discontinued operations** | 734,405 | 6,983 | 733,807 | 3,200 |

(1) Fiscal 2019 amounts reflect the two and eight-month periods ending April 30,2019.

## 7. OPERATING EXPENSES

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Salaries, employee benefits and outsourced services | 85,416 | 82,671 | 256,721 | 231,251 |
| Service delivery costs (1) | 165,639 | 162,165 | 500,502 | 453,072 |
| Customer related costs (2) | 20,181 | 17,484 | 59,555 | 50,870 |
| Other external purchases (3) | 27,208 | 32,499 | 84,369 | 88,455 |
| | 298,444 | 294,819 | 901,147 | 823,648 |

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, franchise fees and network costs.
(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.
(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment, and other administrative expenses.

## 8. DEPRECIATION AND AMORTIZATION

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Depreciation of property, plant and equipment | 104,861 | 101,193 | 316,734 | 280,827 |
| Amortization of intangible assets | 14,280 | 14,624 | 42,435 | 32,756 |
| | 119,141 | 115,817 | 359,169 | 313,583 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 9. FINANCIAL EXPENSE

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Interest on long-term debt (1) | 43,988 | 55,964 | 135,491 | 133,553 |
| Net foreign exchange gains | (2,085) | (1,847) | (2,341) | (2,616) |
| Amortization of deferred transaction costs | 466 | 438 | 1,372 | 1,443 |
| Capitalized borrowing costs (2) | (224) | (338) | (522) | (1,912) |
| Other | (52) | 6,044 | 1,065 | 7,279 |
| | 42,093 | 60,261 | 135,065 | 137,747 |

(1) In May 2018, in connection with the early reimbursement of the US$400 million Senior Secured Notes, an amount of $2.5 million of unamortized deferred transaction costs and a redemption premium of $6.2 million were charged to financial expense. In January 2018, in connection with the MetroCast acquisition, an amount of $7.3 million was charged to financial expense, representing the unamortized deferred financing costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities.

(2) For the three and nine-month periods ended May 31, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

# 10. INCOME TAXES

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Current | 12,156 | 11,420 | 41,758 | 58,987 |
| Deferred | 9,963 | 7,650 | 21,395 | (94,269) |
| | 22,119 | 19,070 | 63,153 | (35,282) |

The following table provides the reconciliation between income tax expense at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Profit before income taxes | 121,690 | 89,595 | 327,658 | 273,426 |
| Combined Canadian income tax rate | 26.5% | 26.5% | 26.5% | 26.5% |
| Income taxes at combined Canadian income tax rate | 32,247 | 23,743 | 86,829 | 72,458 |
| Adjustment for losses or profit subject to lower or higher tax rates | (960) | 776 | 62 | (76) |
| Impact on deferred taxes as a result of changes in substantively enacted tax rates (1) | (287) | — | — | (94,175) |
| Impact on income taxes arising from non-deductible expenses and non-taxable profit | (1,606) | 2,200 | (785) | 2,067 |
| Tax impacts related to foreign operations | (7,255) | (6,530) | (21,116) | (15,274) |
| Other | (20) | (1,119) | (1,837) | (282) |
| Income taxes at effective income tax rate | 22,119 | 19,070 | 63,153 | (35,282) |

(1) On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduced the general federal corporate tax rate from 35% to 21% starting after 2017. As a result, deferred income taxes and net deferred tax liabilities have been reduced by approximately $94 million (US$74 million). In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

## 11. EARNINGS PER SHARE

The following table provides the reconciliation between basic and diluted earnings per share:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$** | $ | **$** | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Profit for the period from continuing operations attributable to owners of the Corporation | **96,613** | 67,190 | **252,123** | 302,461 |
| Profit (loss) for the period from discontinued operations attributable to owners of the Corporation | **82,451** | (5,365) | **73,460** | (23,329) |
| Profit for the period attributable to owners of the Corporation | **179,064** | 61,825 | **325,583** | 279,132 |
| Weighted average number of multiple and subordinate voting shares outstanding | **49,398,418** | 49,303,877 | **49,375,336** | 49,292,705 |
| Effect of dilutive stock options (1) | **237,402** | 113,908 | **147,299** | 181,739 |
| Effect of dilutive incentive share units | **96,631** | 107,626 | **103,904** | 108,056 |
| Effect of dilutive performance share units | **142,208** | 133,900 | **142,644** | 134,447 |
| Weighted average number of diluted multiple and subordinate voting shares outstanding | **49,874,659** | 49,659,311 | **49,769,183** | 49,716,947 |
| **Earnings (loss) per share** | | | | |
| Basic | | | | |
| Profit for the period from continuing operations | **1.96** | 1.36 | **5.11** | 6.14 |
| Profit (loss) for the period from discontinued operations | **1.67** | (0.11) | **1.49** | (0.47) |
| Profit for the period | **3.62** | 1.25 | **6.59** | 5.66 |
| Diluted | | | | |
| Profit for the period from continuing operations | **1.94** | 1.35 | **5.07** | 6.08 |
| Profit (loss) for the period from discontinued operations | **1.65** | (0.11) | **1.48** | (0.47) |
| Profit for the period | **3.59** | 1.24 | **6.54** | 5.61 |

(1) For the three and nine-month periods ended May 31, 2019, nil and 201,835 stock options (261,125 and 255,850 in 2018) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 12. LONG-TERM DEBT

| | Maturity | Interest rate | May 31, 2019 | August 31, 2018 |
|---|---|---|---|---|
| | | % | $ | $ |
| **Corporation** | | | | |
| Term Revolving Facility [1] | | | | |
| Canadian Revolving Facility | | | | |
| Revolving loan – US$310 million at August 31, 2018 | January 2024 | — | — | 404,705 |
| Senior Secured Notes | | | | |
| Series A – US$25 million | September 2024 | 4.14 | 33,731 | 32,540 |
| Series B - US$150 million | September 2026 | 4.29 | 202,308 | 195,176 |
| Senior Secured Notes Series B [2] | | — | — | 54,994 |
| Senior Secured Notes - US$215 million | June 2025 | 4.30 | 289,953 | 279,711 |
| Senior Secured Debentures Series 2 | November 2020 | 5.15 | 199,694 | 199,544 |
| Senior Secured Debentures Series 3 | February 2022 | 4.93 | 199,407 | 199,255 |
| Senior Secured Debentures Series 4 | May 2023 | 4.18 | 298,618 | 298,381 |
| **Subsidiaries** | | | | |
| First Lien Credit Facilities | | | | |
| Senior Secured Term Loan B Facility - US$1,683 million (US$1,695.8 million at August 31, 2018) | January 2025 | 4.69 [3] [4] | 2,233,448 | 2,167,792 |
| Senior Secured Revolving Facility - US$20 million at August 31, 2018 | January 2023 | — | — | 26,110 |
| | | | 3,457,159 | 3,858,208 |
| Less current portion | | | 22,996 | 77,188 |
| | | | 3,434,163 | 3,781,020 |

(1) On December 4, 2018, the Corporation extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2024.

(2) The Corporation reimbursed the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

(3) Interest rate on debt includes the applicable credit spread.

(4) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.43%.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 13. SHARE CAPITAL

## A) AUTHORIZED

*Unlimited number of:*

*Class A Preference shares*, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

*Class B Preference shares*, without voting rights, could be issued in series.

*Multiple voting shares*, 10 votes per share.

*Subordinate voting shares*, 1 vote per share.

## B) ISSUED AND PAID

| | May 31, 2019 | August 31, 2018 |
|---|---|---|
| | $ | $ |
| 15,691,100 multiple voting shares | 98,346 | 98,346 |
| 33,787,815 subordinate voting shares (33,874,114 at August 31, 2018) | 937,492 | 937,226 |
| | 1,035,838 | 1,035,572 |
| 83,079 subordinate voting shares held in trust under the Incentive Share Unit Plan (111,717 at August 31, 2018) | (5,836) | (7,569) |
| 131,924 subordinate voting shares held in trust under the Performance Share Unit Plan (143,377 at August 31, 2018) | (10,200) | (10,831) |
| | 1,019,802 | 1,017,172 |

During the first nine months of fiscal 2019, subordinate voting share transactions were as follows:

| | Number of shares | Amount |
|---|---|---|
| | | $ |
| Balance at August 31, 2018 | 33,874,114 | 937,226 |
| Shares issued for cash under the Stock Option Plan | 71,101 | 3,894 |
| Share-based payment previously recorded in share-based payment reserve for options exercised | — | 735 |
| Purchase and cancellation of subordinate voting shares (1) | (157,400) | (4,363) |
| **Balance at May 31, 2019** | 33,787,815 | 937,492 |

(1) On May 1, 2019, the Corporation announced that the TSX accepted its notice of intention for a normal course issuer bid, enabling it to acquire for cancellation up to 1,869,000 subordinate voting shares from May 3, 2019 to May 2, 2020. During the month of May 2019, the Corporation purchased and cancelled 157,400 subordinate voting shares with an average stated value of $4.4 million, for consideration of $14.5 million. The excess of the purchase price over the average stated value of the shares totaled $10.1 million and was charged to retained earnings.

During the first nine months of fiscal 2019, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

| | Number of shares | Amount |
|---|---|---|
| | | $ |
| Balance at August 31, 2018 | 111,717 | 7,569 |
| Subordinate voting shares acquired | 9,688 | 864 |
| Subordinate voting shares distributed to employees | (38,326) | (2,597) |
| **Balance at May 31, 2019** | 83,079 | 5,836 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

During the first nine months of fiscal 2019, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

| | Number of shares | Amount |
|---|---|---|
| | | $ |
| Balance at August 31, 2018 | 143,377 | 10,831 |
| Subordinate voting shares acquired | 18,609 | 1,640 |
| Subordinate voting shares distributed to employees | (30,062) | (2,271) |
| **Balance at May 31, 2019** | 131,924 | 10,200 |

## C) DIVIDENDS

For the nine-month period ended May 31, 2019, quarterly eligible dividends of $0.525 per share, for a total of $1.575 per share or $77.8 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.475 per share for a total of $1.425 per share or $70.3 million for the nine-month period ended May 31, 2018.

| | Nine months ended May 31, | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Dividends on multiple voting shares | 24,713 | 22,360 |
| Dividends on subordinate voting shares | 53,082 | 47,917 |
| | 77,795 | 70,277 |

At its July 10, 2019 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.525 per share for multiple and subordinate voting shares, payable on August 7, 2019 to shareholders of record on July 24, 2019.

## D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors. A detailed description of these plans can be found in the 2018 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at May 31, 2019:

| | Options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Outstanding at August 31, 2018 | 819,393 | 65.27 |
| Granted (1) | 199,450 | 65.23 |
| Exercised (2) | (71,101) | 54.77 |
| Cancelled | (134,550) | 72.43 |
| **Outstanding at May 31, 2019** | 813,192 | 64.99 |
| **Exercisable at May 31, 2019** | 363,407 | 56.82 |

(1) During the nine-month period ended May 31, 2019, the Corporation granted 97,725 stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the period was $77.55.

A compensation expense reduction of $212,000 and a compensation expense of $227,000 ($234,000 and $590,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to this plan.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2019 was $9.52 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

| | % |
|---|---|
| Expected dividend yield | 3.19 |
| Expected volatility | 20.36 |
| Risk-free interest rate | 2.42 |
| Expected life (in years) | 6.0 |

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at May 31, 2019:

| | |
|---|---|
| Outstanding at August 31, 2018 | 105,475 |
| Granted | 37,300 |
| Distributed | (38,326) |
| Cancelled | (26,780) |
| **Outstanding at May 31, 2019** | **77,669** |

A compensation expense of $564,000 and $1,631,000 ($654,000 and $1,837,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at May 31, 2019:

| | |
|---|---|
| Outstanding at August 31, 2018 | 133,181 |
| Granted (1) | 45,175 |
| Performance-based additional units granted | 200 |
| Distributed | (30,062) |
| Cancelled | (31,825) |
| Dividend equivalents | 3,051 |
| **Outstanding at May 31, 2019** | **119,720** |

(1) During the nine-month period ended May 31, 2019, the Corporation granted 14,625 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $144,000 and $1,084,000 ($590,000 and $1,675,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2019:

| | |
|---|---|
| Outstanding at August 31, 2018 | 42,607 |
| Issued | 11,328 |
| Redeemed | (12,351) |
| Dividend equivalents | 887 |
| **Outstanding at May 31, 2019** | **42,471** |

A compensation expense of $893,000 and $1,228,000 (compensation expense reduction of $2,000 and $273,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to this plan.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 14. ACCUMULATED OTHER COMPREHENSIVE INCOME

| | Cash flow hedge reserve | Foreign currency translation | Total |
|---|---|---|---|
| | $ | $ | $ |
| | | *(restated, Note 2)* | *(restated, Note 2)* |
| Balance at August 31, 2017 | 438 | 76,197 | 76,635 |
| Other comprehensive income | 23,639 | 10,855 | 34,494 |
| Balance at May 31, 2018 | 24,077 | 87,052 | 111,129 |
| Balance at August 31, 2018 | **25,818** | **87,956** | **113,774** |
| Other comprehensive income | **(39,625)** | **(9,951)** | **(49,576)** |
| **Balance at May 31, 2019** | **(13,807)** | **78,005** | **64,198** |

# 15. ADDITIONAL CASH FLOW INFORMATION

## A) CHANGES IN NON-CASH OPERATING ACTIVITIES

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$** | $ | **$** | $ |
| | | *(restated, Note 2)* | | *(restated, Note 2)* |
| Trade and other receivables | **10,928** | 7,085 | **2,475** | 7,474 |
| Prepaid expenses and other | **4,157** | 2,664 | **(3,466)** | (7,506) |
| Other assets | **(1,338)** | (1,433) | **(5,091)** | (4,363) |
| Trade and other payables | **(5,699)** | (19,001) | **(100,580)** | (76,266) |
| Provisions | **2,622** | 3,324 | **6,817** | 3,915 |
| Contract liabilities and other liabilities | **2,673** | (19,126) | **1,463** | (11,362) |
| | **13,343** | (26,487) | **(98,382)** | (88,108) |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

### B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Bank indebtedness | Balance due on a business combination | Current and non-current portion of long-term debt | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance at August 31, 2017 | 3,801 | 118 | 2,576,433 | 2,580,352 |
| Increase in bank indebtedness | 12,061 | — | — | 12,061 |
| Net increase under the revolving facilities | — | — | 397,910 | 397,910 |
| Issuance of long-term debt, net of discounts and transaction costs | — | — | 2,082,408 | 2,082,408 |
| Repayment of long-term debt | — | — | (1,323,496) | (1,323,496) |
| Repayment of balance due on a business combination | — | (118) | — | (118) |
| Total cash flows from (used in) financing activities excluding equity | 12,061 | (118) | 1,156,822 | 1,168,765 |
| Effect of changes in foreign exchange rates | — | — | 101,635 | 101,635 |
| Amortization of discounts and transaction costs | — | — | 15,025 | 15,025 |
| Total non-cash changes | — | — | 116,660 | 116,660 |
| Balance at May 31, 2018 | 15,862 | — | 3,849,915 | 3,865,777 |
| Balance at August 31, 2018 | 5,949 | — | 3,858,208 | 3,864,157 |
| Decrease in bank indebtedness | (1,128) | — | — | (1,128) |
| Net decrease under the revolving facilities | — | — | (443,955) | (443,955) |
| Repayment of long-term debt | — | — | (71,989) | (71,989) |
| Balance due on a business combination | — | 5,005 | — | 5,005 |
| Repayment of balance due on a business combination | — | (655) | — | (655) |
| Total cash flows from (used in) financing activities excluding equity | (1,128) | 4,350 | (515,944) | (512,722) |
| Effect of changes in foreign exchange rates | — | 249 | 109,752 | 110,001 |
| Amortization of discounts and transaction costs | — | — | 5,143 | 5,143 |
| Total non-cash changes | — | 249 | 114,895 | 115,144 |
| **Balance at May 31, 2019** | **4,821** | **4,599** | **3,457,159** | **3,466,579** |

## 16. EMPLOYEE BENEFITS

The Corporation and its subsidiaries offer their employees either defined benefit pension plans, defined contribution pension plans or collective registered retirement savings plans, which are described in the Corporation's annual consolidated financial statements.

The total expense related to these plans is as follows:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$** | $ | **$** | $ |
| **Defined benefit plans** | | | | |
| Recognized in operating expenses (salaries, employee benefits and outsourced services) | | | | |
| Current service cost | **406** | 457 | **1,216** | 1,205 |
| Administrative expense | **77** | 62 | **231** | 187 |
| Recognized in financial expense (other) | | | | |
| Net interest | **(3)** | 15 | **3** | 56 |
| **Defined contribution and collective registered retirement saving plans** | | | | |
| Recognized in operating expenses (salaries, employee benefits and outsourced services) | **2,119** | 2,128 | **6,269** | 6,036 |
| | **2,599** | 2,662 | **7,719** | 7,484 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

# 17. FINANCIAL INSTRUMENTS

## A) FINANCIAL RISK MANAGEMENT

Management’s objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange risks which are described in the Corporation's annual consolidated financial statements.

### Liquidity risk

At May 31, 2019, the Corporation had used $1.7 million of its $800 million Term Revolving Facility for a remaining availability of $798.3 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $202.9 million (US $150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2019 for a remaining availability of $199.6 million (US$147.6 million).

### Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2019, all of the Corporation’s long-term debt was at fixed rate, except for the amounts drawn under the Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, the Corporation's US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2019:

| Type of hedge | Notional amount | Receive interest rate | Pay interest rate | Maturity | Hedged item |
|---|---|---|---|---|---|
| Cash flow | US$1.175 billion | US Libor base rate | 0.987% - 2.262% | July 2019 - November 2024 | Senior Secured Term Loan B |

The sensitivity of the Corporation’s annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.9 million based on the outstanding debt at May 31, 2019.

### Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $12.3 million based on the outstanding debt at May 31, 2019.

Furthermore, the Corporation’s net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, notably changes in the value of the Canadian dollar versus the US dollar. The risk related to the US dollar aggregate investments is mitigated since a portion was borrowed in US dollars.

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at May 31, 2019:

| Type of hedge | Notional amount of debt | Aggregate investments | Hedged item |
|---|---|---|---|
| Net investments | US$390 million | US$955.6 million | Net investments in foreign operations in US dollar |

The exchange rate used to translate the US dollar currency into Canadian dollars for the statement of financial position accounts at May 31, 2019 was $1.3527 ($1.3055 at August 31, 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $76.5 million.

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

### B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the Corporation's financial instruments approximates fair value, except as otherwise noted in the following table:

| | May 31, 2019 | | August 31, 2018 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| | **$** | **$** | $ | $ |
| Long-term debt | **3,457,159** | **3,556,425** | 3,858,208 | 3,941,543 |

### C) CAPITAL MANAGEMENT

At May 31, 2019 and August 31, 2018, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain key ratios used to monitor and manage the Corporation's capital structure, which include the results from continuing and discontinued operations:

| | **May 31, 2019** | August 31, 2018 |
|---|---|---|
| | | *(restated, Note 2)* |
| Net secured indebtedness (1) / adjusted EBITDA (2) | **2.8** | 3.5 |
| Net indebtedness (3) / adjusted EBITDA (2) | **2.8** | 3.5 |
| Adjusted EBITDA (2) / financial expense (2) | **6.0** | 5.9 |

(1) Net secured indebtedness is defined as the total of bank indebtedness and principal on long-term debt, less cash and cash equivalents.

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended May 31, 2019, which includes twelve months of Metrocast operations, and for the year ended August 31, 2018 which includes eight months of Metrocast operations.

(3) Net indebtedness is defined as the total of bank indebtedness, balance due on a business combination and principal on long-term debt, less cash and cash equivalents.

## 18. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). Following the sale of Cogeco Peer 1, the Corporation and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by the Corporation to Cogeco, which was based on a percentage of the revenue of the Corporation, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This new cost-plus methodology, which became effective on May 1, 2019, was introduced to avoid future variations of the management fee percentage due to the frequent changes of the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three and nine-month periods ended May 31, 2019, management fees paid to Cogeco amounted to $5.0 million and $14.7 million, compared to $4.3 million and $14.2 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the nine-month periods ended May 31, 2019 and 2018, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

| | Nine months ended May 31, | |
|---|---|---|
| | **2019** | 2018 |
| Stock options | **97,725** | 126,425 |
| PSU | **14,625** | 19,025 |

*(amounts in tables are in thousands of Canadian dollars, except number of shares and per share data)*

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers, as well as DSUs granted to Board directors of Cogeco:

| | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$** | $ | **$** | $ |
| Stock options | **256** | 240 | **749** | 635 |
| ISU | **15** | — | **45** | 1 |
| PSU | **304** | 254 | **806** | 736 |
| DSU | **69** | — | **393** | — |

There were no other material related party transactions during the periods covered.

# CUSTOMER STATISTICS

| | May 31, 2019 | February 28, 2019 | November 30, 2018 | August 31, 2018 | May 31, 2018 |
|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | |
| **Primary service units** | 2,707,227 | 2,703,223 | 2,711,932 | 2,751,383 | 2,782,705 |
| **Internet service customers** | 1,229,399 | 1,214,566 | 1,204,602 | 1,207,225 | 1,207,262 |
| **Video service customers** | 965,008 | 976,377 | 988,398 | 1,006,020 | 1,019,852 |
| **Telephony service customers** | 512,820 | 512,280 | 518,932 | 538,138 | 555,591 |
| **CANADA** | | | | | |
| **Primary service units** | 1,813,212 | 1,825,011 | 1,831,628 | 1,866,918 | 1,901,037 |
| **Internet service customers** | 785,703 | 785,004 | 778,996 | 782,277 | 787,007 |
| Penetration as a percentage of homes passed | 44.6% | 44.7% | 44.4% | 44.7% | 45.0% |
| **Video service customers** | 657,747 | 668,771 | 675,699 | 688,768 | 699,554 |
| Penetration as a percentage of homes passed | 37.4% | 38.1% | 38.5% | 39.3% | 40.0% |
| **Telephony service customers** | 369,762 | 371,236 | 376,933 | 395,873 | 414,476 |
| Penetration as a percentage of homes passed | 21.0% | 21.1% | 21.5% | 22.6% | 23.7% |
| **UNITED STATES** | | | | | |
| **Primary service units** | 894,015 | 878,212 | 880,304 | 884,465 | 881,668 |
| **Internet service customers** | 443,696 | 429,562 | 425,606 | 424,948 | 420,255 |
| Penetration as a percentage of homes passed(1) | 50.7% | 49.6% | 49.2% | 49.7% | 49.8% |
| **Video service customers** | 307,261 | 307,606 | 312,699 | 317,252 | 320,298 |
| Penetration as a percentage of homes passed(1) | 35.1% | 35.5% | 36.2% | 37.1% | 37.9% |
| **Telephony service customers** | 143,058 | 141,044 | 141,999 | 142,265 | 141,115 |
| Penetration as a percentage of homes passed(1) | 16.3% | 16.3% | 16.4% | 16.6% | 16.7% |

(1) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services segment have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed have also been adjusted.