COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and six-month periods ended February 28, 2019

FINANCIAL HIGHLIGHTS

	Three months ended					Six months ended				
	February 28, 2019	February 28, 2018(1)	Change	Change in constant currency(2)	Foreign exchange impact(2)	February 28, 2019	February 28, 2018(1)	Change	Change in constant currency(2)	Foreign exchange impact(2)
(in thousands of dollars, except percentages and per share data)	$	$	%	%	$	$	$	%	%	$
Operations										
Revenue	584,129	529,855	10.2	7.6	13,884	1,160,802	1,014,141	14.5	12.1	24,157
Adjusted EBITDA(3)	280,552	248,470	12.9	10.5	5,958	548,403	475,474	15.3	13.2	10,297
Adjusted EBITDA margin(3)	48.0%	46.9%				47.2%	46.9%			
Integration, restructuring and acquisition costs(4)	3,722	15,999	(76.7)			9,435	16,391	(42.4)		
Profit for the period from continuing operations	86,128	159,912	(46.1)			164,934	238,183	(30.8)		
Loss for the period from discontinued operations	(5,369)	(16,079)	(66.6)			(8,991)	(17,964)	(49.9)		
Profit for the period	80,759	143,833	(43.9)			155,943	220,219	(29.2)		
Profit for the period attributable to owners of the Corporation	76,349	140,921	(45.8)			146,519	217,307	(32.6)		
Cash flow										
Cash flow from operating activities	199,462	198,720	0.4			298,458	198,237	50.6		
Acquisitions of property, plant and equipment(5)	92,773	112,378	(17.4)	(20.4)	3,346	193,330	196,829	(1.8)	(4.7)	5,767
Free cash flow(3)	125,307	58,796	—	—	630	232,810	151,703	53.5	52.7	1,146
Capital intensity(3)	15.9%	21.2%				16.7%	19.4%			
Financial condition(6)										
Cash and cash equivalents						59,387	84,725	(29.9)		
Total assets						7,185,140	7,180,043	0.1		
Indebtedness(7)						3,908,265	3,914,711	(0.2)		
Equity attributable to owners of the Corporation						2,085,436	1,997,169	4.4		
Per Share Data(8)										
Earnings (loss) per share										
Basic										
From continuing operations	1.65	3.19	(48.3)			3.15	4.77	(34.0)		
From discontinued operations	(0.11)	(0.33)	(66.7)			(0.18)	(0.36)	(50.0)		
From continuing and discontinuing operations	1.55	2.86	(45.8)			2.97	4.41	(32.7)		
Diluted										
From continuing operations	1.64	3.16	(48.1)			3.13	4.73	(33.8)		
From discontinued operations	(0.11)	(0.33)	(66.7)			(0.18)	(0.36)	(50.0)		
From continuing and discontinuing operations	1.53	2.83	(45.9)			2.95	4.37	(32.5)		
Dividends	0.525	0.475	10.5			1.05	0.95	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 the Business ICT services segment 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 six-month periods ended February 28, 2018, the average foreign exchange rates used for translation were 1.2595 USD/CDN and 1.2574 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 six-month periods ended February 28, 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. For the three and six-month periods ended February 28, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

(5) For the three and six-month periods ended February 28, 2019, acquisitions of property, plant and equipment in constant currency amounted to $89.4 million and $187.6 million, respectively.

(6) At February 28, 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.

COGECO COMMUNICATIONS

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

Three and six-month periods ended February 28, 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 and the "Fiscal 2019 Revised Financial Guidelines" sections of this 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.

More particularly and without restriction, this MD&A contains forward-looking statements and information regarding the anticipated benefits for the Corporation of the proposed sale transaction of Cogeco Peer 1, the future plans, objectives and intentions of the Corporation, the expected use of proceeds of the transaction and the anticipated timing of the completion of the transaction. In respect of the forward-looking statements and information concerning the anticipated benefits and timing of the completion of the proposed transaction, the Corporation has provided such statements and information in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the ability of the parties to satisfy, in a timely manner, the conditions to the completion of the transaction; and other expectations and assumptions concerning the proposed transaction. The anticipated timing for the completion of the transaction may change for a number of reasons, including the necessity to extend the time limits for satisfying the conditions to the completion of the proposed transaction. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct, that the proposed transaction will be completed or that it will be completed on the terms and conditions contemplated in this MD&A. Risks and uncertainties inherent in the nature of the proposed transaction include, without limitation, the failure of the parties to satisfy the conditions to the completion of the transaction; failure of the parties to satisfy such conditions in a timely manner; significant transaction costs or unknown liabilities; the failure to realize the expected benefits of the transaction; and general economic conditions. The failure of the parties to satisfy the conditions to the completion of the transaction or to complete the transaction, may result in the transaction not being completed on the proposed terms, or at all. In addition, if the transaction is not completed, there are risks that the announcement of the proposed transaction and the dedication of substantial resources to the completion of the transaction could have an impact on the Corporation's business and strategic relationships (including with future and prospective employees, customers, suppliers and partners), operating results and activities in general, and could have a material adverse effect on its current and future operations, financial condition and prospects.

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 six-month periods ended February 28, 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") vision is to be a leading communications and technology services company through strong customer relations built on trust and reliability. As our customers are at the core of everything we do, we continuously seek to innovate our processes, operations, services and products while efficiently managing capital utilization to secure future growth. We are also dedicated to optimizing profitability and consequently increasing shareholder value. To achieve these objectives, 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 six months of fiscal 2019, revenue increased by 14.5% (12.1% in constant currency) resulting from:

- a growth of 40.9% (34.2% 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 two-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 0.3% (0.3% in constant currency) in the Canadian broadband services segment mainly as a result of:
    - a higher decline in primary service units in the first quarter of fiscal 2019 from lower service activations mainly due to the stabilization phase following the migration to a new advanced customer management system in the second half of fiscal 2018; and
    - the impact of the timing of rate increases implemented in November 2018 in both Ontario and Québec compared to September 2017 and November 2017, respectively, for the same period of the prior year; partly offset by
    - higher net pricing from consumer sales.

ADJUSTED EBITDA

For the first six months of fiscal 2019, adjusted EBITDA increased by 15.3% (13.2% in constant currency) as a result of:

- an increase of 53.1% (45.9% in constant currency) in the American broadband services segment mainly as a result of the impact of the MetroCast and FiberLight acquisitions; partly offset by
- a decrease of 1.3% (1.0% in constant currency) in the Canadian broadband services segment resulting mainly from higher operating expenses combined with a decrease in revenue.

FREE CASH FLOW

For the first six months of fiscal 2019, free cash flow increased by 53.5% (52.7% 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; partly offset by
- the increase in financial expense.

(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 six months of fiscal 2019, acquisitions of property, plant and equipment decreased by 1.8% (4.7% 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 six months of fiscal 2019, capital intensity reached 16.7% compared to 19.4% for the same period of the prior year mainly as a result of revenue growth combined with lower capital expenditures.

In the Canadian broadband services segment, the acquisitions of property, plant and equipment increased by 10.2% (8.2% 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 advanced customer management system which was implemented in the third quarter of fiscal 2018.

In the American broadband services segment, the acquisitions of property, plant and equipment decreased by 14.8% (18.7% 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.

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

3. BUSINESS DEVELOPMENTS AND OTHER

On February 27, 2019, Cogeco Communications announced that it had reached an agreement to sell Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony. The transaction, valued at $720 million, is expected to be completed during the third quarter of fiscal 2019 and is subject to customary closing conditions.

Operating and financial results as well as cash flows from the Business ICT services subsidiary from both the current and comparable periods have therefore been reclassified 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**584,129**	529,855	10.2	7.6	13,884
Operating expenses	**298,676**	276,275	8.1	5.2	7,926
Management fees – Cogeco Inc.	**4,901**	5,110	(4.1)	(4.1)	—
Adjusted EBITDA	**280,552**	248,470	12.9	10.5	5,958
Adjusted EBITDA margin	**48.0%**	46.9%			

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 the Business ICT services segment 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**1,160,802**	1,014,141	14.5	12.1	24,157
Operating expenses	**602,703**	528,829	14.0	11.3	13,860
Management fees – Cogeco Inc.	**9,696**	9,838	(1.4)	(1.4)	—
Adjusted EBITDA	**548,403**	475,474	15.3	13.2	10,297
Adjusted EBITDA margin	**47.2%**	46.9%			

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 the Business ICT services segment 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 1.2574 USD/CDN.

REVENUE

	Three months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**326,759**	324,135	0.8	0.8	—
American broadband services	**257,370**	205,720	25.1	18.4	13,884
	584,129	529,855	10.2	7.6	13,884

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 1.2595 USD/CDN.

(in thousands of dollars, except percentages)	February 28, 2019 (1) $	February 28, 2018 (2) $	Change %	Change in constant currency (3) %	Foreign exchange impact (3) $
	Six months ended				
Canadian broadband services	**649,224**	651,021	(0.3)	(0.3)	—
American broadband services	**511,578**	363,120	40.9	34.2	24,157
	1,160,802	1,014,141	14.5	12.1	24,157

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 1.2574 USD/CDN.

Fiscal 2019 second-quarter revenue increased by 10.2% (7.6% in constant currency) resulting from:

- a growth in the American broadband services segment mainly due to the impact of the MetroCast acquisition completed on January 4, 2018, which was included in revenue for only a two-month period for the comparable period of the prior year combined with the FiberLight acquisition and organic growth; and
- an increase in the Canadian broadband services segment mainly as a result of:
    - rate increases implemented in November 2018 in both Ontario and Québec; and
    - higher net pricing from consumer sales; partly offset by
    - decreases in video and telephony services customers.

For the first six months of fiscal 2019, revenue increased by 14.5% (12.1% 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 two-month period for the comparable period of the prior year combined with the FiberLight acquistion and organic growth; partly offset by
- a decrease in the Canadian broadband services segment mainly as a result of:
    - a higher decline in primary service units in the first quarter of fiscal 2019 from lower service activations mainly due to the stabilization phase following the migration to a new advanced customer management system in the second half of fiscal 2018; and
    - the impact of the timing of rate increases implemented in November 2018 in both Ontario and Québec compared to September 2017 and November 2017, respectively, for 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

(in thousands of dollars, except percentages)	February 28, 2019 (1) $	February 28, 2018 (2) $	Change %	Change in constant currency (3) %	Foreign exchange impact (3) $
	Three months ended				
Canadian broadband services	**152,091**	155,520	(2.2)	(2.4)	343
American broadband services	**140,225**	114,608	22.4	15.7	7,579
Inter-segment eliminations and other	**6,360**	6,147	3.5	3.4	4
	298,676	276,275	8.1	5.2	7,926

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	311,417	308,935	0.8	0.6	752
American broadband services	277,157	210,053	31.9	25.7	13,097
Inter-segment eliminations and other	14,129	9,841	43.6	43.5	11
	602,703	528,829	14.0	11.3	13,860

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 1.2574 USD/CDN.

Fiscal 2019 second-quarter operating expenses increased by 8.1% (5.2% in constant currency) mainly from:

- additional costs in the American broadband services segment mainly due to the impact of the MetroCast acquisition which was included in operating expenses for only a two-month period for the comparable period of the prior year combined with the FiberLight acquisition; partly offset by
- lower operating expenses in the Canadian broadband services segment mainly attributable to lower programming costs as a result of lower primary service units and lower compensation expenses resulting from an operational optimization program in the first half of fiscal 2019.

For the first six months of fiscal 2019, operating expenses increased by 14.0% (11.3% in constant currency) mainly from:

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

For further details on the Corporation’s operating expenses, please refer to the “Segmented operating and financial results” section.

MANAGEMENT FEES

For the second quarter and first six months of fiscal 2019, management fees paid to Cogeco Inc. amounted to $4.9 million and $9.7 million, respectively, compared to $5.1 million and $9.8 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	174,668	168,615	3.6	3.8	(343)
American broadband services	117,145	91,112	28.6	21.7	6,305
Inter-segment eliminations and other	(11,261)	(11,257)	—	—	(4)
	280,552	248,470	12.9	10.5	5,958

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 1.2595 USD/CDN.

(in thousands of dollars, except percentages)	Six months ended February 28, 2019 (1) $	February 28, 2018 (2) $	Change %	Change in constant currency (3) %	Foreign exchange impact (3) $
Canadian broadband services	337,807	342,086	(1.3)	(1.0)	(752)
American broadband services	234,421	153,067	53.1	45.9	11,060
Inter-segment eliminations and other	(23,825)	(19,679)	21.1	21.0	(11)
	548,403	475,474	15.3	13.2	10,297

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 1.2574 USD/CDN.

Fiscal 2019 second-quarter adjusted EBITDA increased by 12.9% (10.5% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of the impact of the MetroCast and FiberLight acquisitions combined with strong organic growth; and
- an increase in the Canadian broadband services segment.

For the first six months of fiscal 2019, adjusted EBITDA increased by 15.3% (13.2% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of the impact of the MetroCast and FiberLight acquisitions combined with strong organic growth; partly offset by
- a decrease in the Canadian broadband services segment.

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 second quarter and first six months of fiscal 2019, integration, restructuring and acquisition costs amounted to $3.7 million and $9.4 million, respectively, mostly due to restructuring costs in the Canadian broadband services segment from an operational optimization program. 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 second quarter and first six months of fiscal 2018, integration, restructuring and acquisition costs amounted to $16.0 million and $16.4 million, respectively, due to the MetroCast acquisition completed on January 4, 2018.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Depreciation of property, plant and equipment	106,100	94,455	12.3	211,873	179,634	17.9
Amortization of intangible assets	14,191	11,704	21.2	28,155	18,132	55.3
	120,291	106,159	13.3	240,028	197,766	21.4

(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 the Business ICT services segment as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

For the second quarter and first six months of fiscal 2019, depreciation and amortization expense increased by 13.3% and 21.4%, respectively, mostly as a result of the impact of the MetroCast acquisition combined with the appreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Interest on long-term debt	46,120	47,554	(3.0)	91,503	77,589	17.9
Net foreign exchange gains	(479)	(621)	(22.9)	(256)	(769)	(66.7)
Amortization of deferred transaction costs	465	389	19.5	906	1,005	(9.9)
Capitalized borrowing costs	(178)	(708)	(74.9)	(298)	(1,574)	(81.1)
Other	485	653	(25.7)	1,117	1,235	(9.6)
	46,413	47,267	(1.8)	92,972	77,486	20.0

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

Fiscal 2019 second-quarter financial expense decreased by 1.8% mainly as follows:

- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018; and
- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019; partly offset by
- higher 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.

For the first six months of fiscal 2019, financial expense increased by 20.0% mainly as follows:

- higher interest rates on the First Lien Credit Facilities following the MetroCast acquisition;
- the increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019; and
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year; partly offset by
- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018.

4.5 INCOME TAXES

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Current	17,570	25,135	(30.1)	29,602	47,567	(37.8)
Deferred	6,428	(106,002)	—	11,432	(101,919)	—
	23,998	(80,867)	—	41,034	(54,352)	—

(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 the Business ICT services segment as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Profit before income taxes	110,126	79,045	39.3	205,968	183,831	12.0
Combined Canadian income tax rate	26.5%	26.5%	—	26.5%	26.5%	—
Income taxes at combined Canadian income tax rate	29,184	20,947	39.3	54,582	48,715	12.0
Adjustment for losses or profit subject to lower or higher tax rates	207	(2,912)	—	1,022	(852)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	287	(94,061)	—	287	(94,175)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	808	(56)	—	821	(133)	—
Tax impacts related to foreign operations	(7,100)	(5,038)	40.9	(13,861)	(8,744)	58.5
Other	612	253	—	(1,817)	837	—
	23,998	(80,867)	—	41,034	(54,352)	—

(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 the Business ICT services segment as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

For the second quarter and first six months of fiscal 2019, income taxes expenses amounted to $24.0 million and $41.0 million, respectively, compared to recoveries of $80.9 million and $54.4 million for the same periods 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 and the decrease in integration, restructuring and acquisition costs, partly offset by the increase in depreciation and amortization and by the increase in financial expense in the first six months; and
- the appreciation of the US dollar against the Canadian dollar compared to the same periods 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 accelerated tax depreciation will have a favorable impact on the current income tax expense of the Corporation in fiscal 2019 and will be accounted for in the second half 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			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%	$	$	%
Profit for the period from continuing operations	86,128	159,912	(46.1)	164,934	238,183	(30.8)
Profit for the period	80,759	143,833	(43.9)	155,943	220,219	(29.2)
Profit for the period from continuing operations attributable to owners of the Corporation	81,718	157,000	(48.0)	155,510	235,271	(33.9)
Profit for the period attributable to owners of the Corporation	76,349	140,921	(45.8)	146,519	217,307	(32.6)
Profit for the period from continuing operations attributable to non-controlling interest(2)	4,410	2,912	51.4	9,424	2,912	—
Basic earnings per share from continuing operations	1.65	3.19	(48.3)	3.15	4.77	(34.0)
Basic earnings per share	1.55	2.86	(45.8)	2.97	4.41	(32.7)

(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 the Business ICT services segment 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 second-quarter profit for the period from continuing operations, profit for the period, profit for the period from continuing operations attributable to owners of the Corporation and profit for the period attributable to owners of the Corporation decreased by 46.1%, 43.9%, 48.0% and 45.8%, 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.

In addition, the variation of the profit for the period and of the profit for the period attributable to owners of the Corporation was also due to a lower loss from discontinued operations.

For the first six months of fiscal 2019, profit for the period from continuing operations, profit for the period, profit for the period from continuing operations attributable to owners of the Corporation and profit for the period attributable to owners of the Corporation decreased by 30.8%, 29.2%, 33.9% and 32.6%, respectively, as a result of:

- last year's $94 million income tax reduction following the United States tax reform; and
- the increases in depreciation and amortization and financial expense 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.

In addition, the variation of the profit for the period and of the profit for the period attributable to owners of the Corporation was also due to a lower loss from discontinued operations.

5. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.6% of the Corporation's equity shares, representing 82.2% 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"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to January 4, 2018). In addition, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement. Provision is made for future adjustment upon the request of either Cogeco or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first six months of fiscal 2019, the Corporation granted 97,725 (124,625 in 2018) stock options, did not grant any (nil in 2018) incentive share units ("ISUs") and granted 14,625 (18,750 in 2018) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During the second quarter and first six months of fiscal 2019, the Corporation charged Cogeco $195,000 and $493,000 ($201,000 and $395,000 in 2018), $15,000 and $30,000 (nil and $1,000 in 2018) and $302,000 and $502,000 ($248,000 and $482,000 in 2018), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers. During the second quarter and first six months of fiscal 2019, the Corporation charged Cogeco $64,000 and $324,000 for deferred share units ("DSUs") issued to Board directors of Cogeco.

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

6. CASH FLOW ANALYSIS

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Cash flow from operating activities	199,462	198,720	0.4	298,458	198,237	50.6
Cash flow from investing activities	(91,941)	(1,874,049)	(95.1)	(231,011)	(1,937,949)	(88.1)
Cash flow from financing activities	(121,033)	1,725,115	—	(91,443)	1,704,463	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(568)	423	—	(744)	1,497	—
Net change in cash and cash equivalents from continuing operations	(14,080)	50,209	—	(24,740)	(33,752)	(26.7)
Net change in cash and cash equivalent from discontinued operations(2)	2,574	1,201	—	(598)	(3,783)	(84.2)
Cash and cash equivalents, beginning of the period	70,893	122,240	(42.0)	84,725	211,185	(59.9)
Cash and cash equivalents, end of the period	59,387	173,650	(65.8)	59,387	173,650	(65.8)

(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 the Business ICT services segment 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

For the second quarter and first six months of fiscal 2019, cash flow from operating activities increased by 0.4% and 50.6%, respectively, compared to the same periods 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 decrease in changes in non-cash operating activities primarily due to changes in working capital; and
- the increase in financial expense paid.

6.2 INVESTING ACTIVITIES

For the second quarter and first six months of fiscal 2019, investing activities decreased by 95.1% and 88.1%, respectively, compared to the same periods 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			
	February 28, 2019	February 28, 2018 (1)	Change	Change in constant currency (2)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	54,621	53,863	1.4	(1.1)
Capital intensity	16.7%	16.6%		
American broadband services	38,152	58,515	(34.8)	(38.3)
Capital intensity	14.8%	28.4%		
Consolidated	92,773	112,378	(17.4)	(20.4)
Capital intensity	15.9%	21.2%		

(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 1.2595 USD/CDN.

	Six months ended			
	February 28, 2019	February 28, 2018 (1)	Change	Change in constant currency (2)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	113,079	102,617	10.2	8.2
Capital intensity	17.4%	15.8%		
American broadband services	80,251	94,212	(14.8)	(18.7)
Capital intensity	15.7%	25.9%		
Consolidated	193,330	196,829	(1.8)	(4.7)
Capital intensity	16.7%	19.4%		

(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 1.2574 USD/CDN.

Fiscal 2019 second-quarter acquisitions of property, plant and equipment decreased by 17.4% (20.4% in constant currency) mainly due to lower capital expenditures in the American broadband services segment attributable to the timing of certain initiatives.

For the first six months of fiscal 2019, acquisitions of property, plant and equipment decreased by 1.8% (4.7% 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 six months of fiscal 2019, capital intensity reached 16.7% compared to 19.4% 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 second-quarter free cash flow amounted to $125.3 million compared to $58.8 million for the same period of the prior year, mainly due to the following:

- higher adjusted EBITDA;
- the decrease in acquisitions of property, plant and equipment resulting mostly from lower capital expenditures in the American broadband services segment;
- the decrease in integration, restructuring and acquisition costs; and
- the decrease in current income taxes expense.

For the first six months of fiscal 2019, free cash flow increased by 53.5% (52.7% 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; partly offset by
- the increase in financial expense.

FINANCING ACTIVITIES

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

	Three months ended			Six months ended			
(in thousands of dollars)	**February 28, 2019** **$**	February 28, 2018 $	Change $	**February 28, 2019** **$**	February 28, 2018 $	Change $	Explanations
Increase (decrease) in bank indebtedness	**28,907**	(24,583)	53,490	**30,365**	577	29,788	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(118,083)**	9,369	(127,452)	**(3,921)**	908	(4,829)	Repayments of the revolving facilities in fiscal 2019 as a result of generated free cash flow.
Issuance of long-term debt, net of discounts and transaction costs	**—**	2,082,408	(2,082,408)	**—**	2,082,408	(2,082,408)	Issuance of a US$1.7 billion Senior Secured Term Loan B and drawing of US$40.4 million on the US $150 million Senior Secured Revolving Credit Facility to finance the MetroCast acquisition and refinance long-term debt in the second quarter of fiscal 2018.
Repayment of long-term debt	**(5,587)**	(705,067)	699,480	**(66,240)**	(712,056)	645,816	Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018. Repayment of long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing.
Repayment of balance due on a business combination	**(655)**	—	(655)	**(655)**	(118)	(537)	Non significant.
	(95,418)	1,362,127	(1,457,545)	**(40,883)**	1,371,719	(1,412,162)	

DIVIDENDS

During the second 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 second quarter of fiscal 2018. Dividend payments in the first six months totaled $1.05 per share, or $51.8 million, compared to $0.95 per share, or $46.9 million, in the prior year.

6.4 DIVIDEND DECLARATION

At its April 9, 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 May 7, 2019 to shareholders of record on April 23, 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	326,759	324,135	0.8	0.8	—
Operating expenses	152,091	155,520	(2.2)	(2.4)	343
Adjusted EBITDA	174,668	168,615	3.6	3.8	(343)
Adjusted EBITDA margin	53.5%	52.0%			
Acquisitions of property, plant and equipment	54,621	53,863	1.4	(1.1)	1,324
Capital intensity	16.7%	16.6%			

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	649,224	651,021	(0.3)	(0.3)	—
Operating expenses	311,417	308,935	0.8	0.6	752
Adjusted EBITDA	337,807	342,086	(1.3)	(1.0)	(752)
Adjusted EBITDA margin	52.0%	52.5%			
Acquisitions of property, plant and equipment	113,079	102,617	10.2	8.2	2,086
Capital intensity	17.4%	15.8%			

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 1.2574 USD/CDN.

REVENUE

Fiscal 2019 second-quarter revenue increased by 0.8% (0.8% in constant currency) mainly as a result of:

- rate increases implemented in November 2018 in both Ontario and Québec; and
- higher net pricing from consumer sales; partly offset by
- decreases in video and telephony services customers.

For the first six months of fiscal 2019, revenue decreased by 0.3% (0.3% in constant currency) mainly as a result of:

- a higher decline in primary service units in the first quarter of fiscal 2019 from lower service activations mainly due to the stabilization phase following the migration to a new advanced customer management system in the second half of fiscal 2018; and
- the impact of the timing of rate increases implemented in November 2018 in both Ontario and Québec compared to September 2017 and November 2017, respectively, for the same period of the prior year; partly offset by
- higher net pricing from consumer sales.

OPERATING EXPENSES

Fiscal 2019 second-quarter operating expenses decreased by 2.2% (2.4% in constant currency) mainly attributable to

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

For the first six months of fiscal 2019, operating expenses increased by 0.8% (0.6% in constant currency) mainly attributable to:

- additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new advanced 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; partly offset by
- lower programming costs as a result of lower primary service units; and
- lower compensation expenses resulting from an operational optimization program in the first half of fiscal 2019.

ADJUSTED EBITDA

Fiscal 2019 second-quarter adjusted EBITDA increased by 3.6% (3.8% in constant currency) mainly as a result of higher revenue combined with lower operating expenses.

For the first six months of fiscal 2019, adjusted EBITDA decreased by 1.3% (1.0% in constant currency) resulting mainly from higher operating expenses combined with a decrease in revenue.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 second-quarter acquisitions of property, plant and equipment increased by 1.4% (decrease of 1.1% in constant currency) resulting from:

- additional investments to improve and expand the network infrastructure; partly offset by
- lower costs related to the new advanced 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 six months of fiscal 2019, acquisitions of property, plant and equipment increased by 10.2% (8.2% 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 advanced customer management system which was implemented in the third quarter of fiscal 2018.

For the first six months of fiscal 2019, capital intensity reached 17.4% compared to 15.8% 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) Three months ended		Net additions (losses) Six months ended		% of penetration[1]	
	February 28, 2019	**February 28, 2019**	February 28, 2018	**February 28, 2019**	February 28, 2018	**February 28, 2019**	February 28, 2018
Primary service units	**1,825,011**	**(6,617)**	(5,761)	**(41,907)**	(6,890)		
Internet service customers	**785,004**	**6,008**	6,880	**2,727**	16,445	**44.7**	45.1
Video service customers	**668,771**	**(6,928)**	(7,020)	**(19,997)**	(12,052)	**38.1**	40.7
Telephony service customers	**371,236**	**(5,697)**	(5,621)	**(24,637)**	(11,283)	**21.1**	24.1

(1) As a percentage of homes passed.

During the third quarter of fiscal 2018, the Canadian broadband services segment implemented a new advanced 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 second quarter and first six months of fiscal 2019, Internet service customers net additions stood at 6,008 and 2,727, respectively, compared to 6,880 and 16,445 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.

Moreover, the variation for the first six 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 second quarter and first six months of fiscal 2019, video service customers net losses stood at 6,928 and 19,997, respectively, compared to 7,020 and 12,052 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.

In addition, the variation for the first six 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 second quarter and first six months of fiscal 2019, telephony service customers net losses amounted to 5,697 and 24,637, respectively, compared to 5,621 and 11,283 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.

Moreover, the variation for the first six 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 February 28, 2019, 69% (71% in 2018) of the Canadian broadband services customers subscribed to two or more services. 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	257,370	205,720	25.1	18.4	13,884
Operating expenses	140,225	114,608	22.4	15.7	7,579
Adjusted EBITDA	117,145	91,112	28.6	21.7	6,305
Adjusted EBITDA margin	45.5%	44.3%			
Acquisitions of property, plant and equipment	38,152	58,515	(34.8)	(38.3)	2,022
Capital intensity	14.8%	28.4%			

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	511,578	363,120	40.9	34.2	24,157
Operating expenses	277,157	210,053	31.9	25.7	13,097
Adjusted EBITDA	234,421	153,067	53.1	45.9	11,060
Adjusted EBITDA margin	45.8%	42.2%			
Acquisitions of property, plant and equipment	80,251	94,212	(14.8)	(18.7)	3,681
Capital intensity	15.7%	25.9%			

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 1.2574 USD/CDN.

REVENUE

For the second quarter and first six months of fiscal 2019, revenue increased by 25.1% and 40.9%, respectively, (18.4% and 34.2% in constant currency) mainly as a result of:

- the impact of the MetroCast acquisition completed on January 4, 2018, which was included in revenue for only a two-month period for the comparable periods of the prior year;
- rate increases implemented in August 2018;
- continued growth in Internet and telephony services customers;
- the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
- a decrease in video service customers.

Excluding the MetroCast and FiberLight acquisitions, revenue in constant currency increased by 5.5% and 5.7%, respectively, for the second quarter and first six months of fiscal 2019.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2019, operating expenses increased by 22.4% and 31.9%, respectively, (15.7% and 25.7% in constant currency) mainly as a result of:

- the impact of the MetroCast acquisition which was included in operating expenses for only a two-month period for the comparable periods of the prior year;
- 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; partly offset by
- lower marketing initiatives due to the timing of certain initiatives.

In addition, operating expenses for for the first six months of fiscal 2018 included non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.

ADJUSTED EBITDA

For the second quarter and first six months of fiscal 2019, adjusted EBITDA increased by 28.6% and 53.1%, respectively, (21.7% and 45.9% in constant currency) mainly as a result of the impact of the MetroCast and FiberLight acquisitions combined with strong organic growth.

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 9.7% and 10.8%, respectively, for the second quarter and first six months of fiscal 2019.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For the second quarter and first six months of fiscal 2019, acquisitions of property, plant and equipment decreased by 34.8% and 14.8%, respectively, (38.3% and 18.7% 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 six months of fiscal 2019, capital intensity reached 15.7% compared to 25.9% 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		Six months ended			
	February 28, 2019	February 28, 2019	February 28, 2018 [(1)]	February 28, 2019	February 28, 2018 [(1)]	February 28, 2019	February 28, 2018 [(3)]
Primary service units	878,212	(2,092)	9,686	(6,253)	9,876		
Internet service customers	429,562	3,956	7,571	4,614	9,356	49.6	48.3
Video service customers	307,606	(5,093)	270	(9,646)	(2,695)	35.5	37.6
Telephony service customers	141,044	(955)	1,845	(1,221)	3,215	16.3	16.4

(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 second quarter and first six months of fiscal 2019, Internet service customers net additions stood at 3,956 and 4,614, respectively, compared to 7,571 and 9,356 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
- the sustained interest in bundle offers; partly offset by
- the seasonal disconnects from the Maine and New Hampshire areas.

Fiscal 2018 second-quarter net additions included the activation of a large bulk property in Florida.

VIDEO

For the second quarter and first six months of fiscal 2019, video service customers net losses stood at 5,093 and 9,646, respectively, compared to net additions of 270 and net losses of 2,695 for the same periods of the prior year mainly from:

- competitive offers in the industry;
- a changing video consumption environment; and
- the seasonal disconnects from the Maine and New Hampshire areas; party offset by
- our customers' ongoing interest in TiVo's digital advanced video services.

Fiscal 2018 second-quarter net additions included the activation of a large bulk property in Florida.

TELEPHONY

For the second quarter and first six months of fiscal 2019, telephony service customers net losses stood at 955 and 1,221, respectively, compared to net additions of 1,845 and 3,215 for the same periods of the prior year mainly as a result of a decline in the residential sector.

DISTRIBUTION OF CUSTOMERS

At February 28, 2019, 52% (54% in 2018) of the American broadband services customers subscribed to two or more services. 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 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:

(in thousands of dollars)	February 28, 2019 $	August 31, 2018 (1) $	Change $	Explanations
Current assets				
Cash and cash equivalents	59,387	84,725	(25,338)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	88,657	97,294	(8,637)	Related to trade and other receivables of the Business ICT services subsidiary which were reclassified as Assets held for sale, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	36,518	24,976	11,542	Mostly related to income tax installments made during the first quarter of fiscal 2019 in the Canadian broadband services segment.
Prepaid expenses and other	29,157	29,473	(316)	Non significant.
Derivative financial instruments	654	1,330	(676)	Non significant.
Assets held for sale	716,747	—	716,747	Related to the agreement to sell the Business ICT services subsidiary announced on February 27, 2019.
	931,120	237,798	693,322	
Current liabilities				
Bank indebtedness	36,314	5,949	30,365	Timing of payments made to suppliers.
Trade and other payables	179,862	302,806	(122,944)	Timing of payments made to suppliers.
Provisions	30,273	25,887	4,386	Non significant.
Income tax liabilities	14,156	16,133	(1,977)	Related to the payment of income tax installments during the first quarter of fiscal 2019.
Contract liabilities and other liabilities	43,772	59,656	(15,884)	Related to the contract liabilities and other liabilities of the Business ICT services subsidiary which were reclassified as Liabilities held for sale, partly offset by the appreciation of the US dollar against the Canadian dollar.
Balance due on a business combination	4,477	—	4,477	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	22,387	77,188	(54,801)	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.
Liabilities held for sale	54,414	—	54,414	Related to the agreement to sell the Business ICT services subsidiary.
	385,655	487,619	(101,964)	
Working capital surplus (deficiency)	545,465	(249,821)	795,286	

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

8.2 OTHER SIGNIFICANT CHANGES

	February 28, 2019	August 31, 2018 [(1)]	Change	Explanations
(in thousands of dollars)	$	$	$	
Non-current assets				
Property, plant and equipment	1,990,418	2,323,678	(333,260)	Related to the property, plant and equipment of the Business ICT services subsidiary which were reclassified as Assets held for sale, partly offset by the FiberLight acquisition in the second quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	2,858,032	2,927,388	(69,356)	Related to the intangible assets of the Business ICT services subsidiary which were reclassified as Assets held for sale and the amortization expense, partly offset by the appreciation of the US dollar against the Canadian dollar.
Goodwill	1,349,082	1,608,446	(259,364)	Related to the goodwill of the Business ICT services subsidiary which was reclassified as Assets held for sale, partly offset by the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	16,215	33,797	(17,582)	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 decreased interest rate.
Non-current liabilities				
Long-term debt	3,797,539	3,781,020	16,519	Mostly related to the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest[(2)]	348,807	336,442	12,365	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 March 31, 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 $
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	33,927,635	940,493
Options to purchase subordinate voting shares		
Outstanding options	951,412	
Exercisable options	378,987	

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 February 28, 2019, the Corporation had used $466.9 million of its $800 million Term Revolving Facility for a remaining availability of $333.1 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $197.5 million (US$150 million), of which $2.8 million (US$2.1 million) was used at February 28, 2019 for a remaining availability of $194.7 million (US$147.9 million).

8.5 CREDIT RATINGS

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

At February 28, 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 February 28, 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 February 28, 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 $11.1 million based on the outstanding debt at February 28, 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 $14.0 million based on the outstanding debt at February 28, 2019.

Furthermore, the Corporation's net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. The risk related to the US dollar aggregate investments is mitigated since the major part 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 February 28, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$706 million	US$992.1 million	Net investments in foreign operations in US dollar
N/A	£—	£22.9 million	N/A

The exchange rates used to translate the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at February 28, 2019 was $1.3169 ($1.3055 at August 31, 2018) per US dollar and $1.7484 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.7 million.

8.7 FOREIGN CURRENCY

For the three and six-month periods ended February 28, 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				Six months ended			
	February 28, 2019	February 28, 2018	Change	Change	February 28, 2019	February 28, 2018	Change	Change
	$	$	$	%	$	$	$	%
US dollar vs Canadian dollar	1.3313	1.2595	0.07	5.7	1.3198	1.2574	0.06	5.0
British Pound vs Canadian dollar	1.7121	1.7290	(0.02)	(1.0)	1.7059	1.6964	0.01	0.6

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 six-month period ended February 28, 2019:

	Canadian broadband services	American broadband services	Consolidated (1)
Six months ended February 28, 2019	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	$	$	$
Revenue	—	24,157	24,157
Operating expenses	752	13,097	13,860
Management fees - Cogeco Inc.			—
Adjusted EBITDA	(752)	11,060	10,297
Acquisitions of property, plant and equipment	2,086	3,681	5,767
Free cash flow			1,146

(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 February 27, 2019, Cogeco Communications announced that it had reached an agreement to sell Cogeco Peer 1 Inc., its Business ICT services subsidiary, to affiliates of Digital Colony. The transaction, valued at $720 million, is expected to be completed during the third quarter of fiscal 2019 and is subject to customary closing conditions.

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 the Business ICT services subsidiary as discontinued operations. The assets and liabilities of the Business ICT services subsidiary were reclassified at February 28, 2019 to current assets held for sale and current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected within one year.

The proceeds of disposal are expected to exceed the carrying amount of the discontinued net assets and accordingly no impairment losses have been recognized on the classification of the Business ICT services subsidiary operations as held for sale.

The loss of the discontinued operations is as follows:

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018	Change	February 28, 2019	February 28, 2018	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Revenue	66,155	69,147	(4.3)	132,813	138,137	(3.9)
Operating expenses	50,228	49,790	0.9	99,194	99,017	0.2
Adjusted EBITDA	15,927	19,357	(17.7)	33,619	39,120	(14.1)
Depreciation and amortization	21,823	23,648	(7.7)	43,999	47,723	(7.8)
Financial expense	81	286	(71.7)	(529)	(451)	17.3
Loss before income taxes	(5,977)	(4,577)	30.6	(9,851)	(8,152)	20.8
Income taxes	(608)	11,502	—	(860)	9,812	—
Loss for the period from discontinued operations	(5,369)	(16,079)	(66.6)	(8,991)	(17,964)	(49.9)

REVENUE

For the second quarter and first six months of fiscal 2019, revenue decreased by 4.3% and 3.9% primarily due to higher churn and continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2019, operating expenses increased by 0.9% and 0.2%, respectively, mainly due to:

- costs related to the closure of a data centre;
- higher costs related to service delivery and cloud licensing; and
- higher compensation expenses; partly offset by
- lower marketing costs due to the timing of certain initiatives.

ADJUSTED EBITDA

For the second quarter and first six months of fiscal 2019, adjusted EBITDA decreased by 17.7% and 14.1% as a result of a decline in revenue combined with higher operating expenses.

CASH FLOW

The cash flow from discontinued operations is as follows:

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018	Change	**February 28, 2019**	February 28, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flow from operating activities	**10,503**	12,605	(16.7)	**19,163**	18,492	3.6
Cash flow from investing activities	**(7,914)**	(11,401)	(30.6)	**(19,821)**	(22,236)	(10.9)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(15)**	(3)	—	**60**	(39)	—
Net change in cash and cash equivalents from discontinued operations	**2,574**	1,201	—	**(598)**	(3,783)	(84.2)

ASSETS AND LIABILITIES HELD FOR SALE

The following table summarizes the carrying value of the assets and liabilities of the discontinued operations, classified as held for sale, as at February 28, 2019:

(in thousands of dollars)	**$**
Trade and other receivables	**20,745**
Income taxes receivable	**3,158**
Prepaid expenses and other	**7,599**
Property, plant and equipment	**352,483**
Intangible assets	**49,376**
Other assets	**9,863**
Goodwill	**271,821**
Deferred tax assets	**1,702**
Assets held for sale	**716,747**
Trade and other payables	**19,169**
Provisions	**34**
Income tax liabilities	**12**
Contract liabilities and other liabilities	**23,182**
Deferred tax liabilities	**12,017**
Liabilities held for sale	**54,414**

10. FISCAL 2019 REVISED FINANCIAL GUIDELINES

Cogeco Communications revised its fiscal 2019 financial guidelines as issued on October 31, 2018 giving effect to the announcement of the agreement on February 27, 2019 to sell Cogeco Peer 1 inc., its Business ICT services subsidiary.

The following table outlines fiscal 2019 revised financial guidelines ranges on a consolidated basis:

	Revised projections April 9, 2019	Actual
	Fiscal 2019 (1)	Fiscal 2018
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue(2)	Increase of 6% to 8%	2,147
Adjusted EBITDA(2)	Increase of 8% to 10%	1,007
Acquisitions of property, plant and equipment(3)	$450 to $470	458
Capital intensity	20% to 21%	21.3%
Free cash flow(4)	Increase of 38% to 45%	302

(1) Fiscal 2019 financial guidelines are based on fiscal 2018 actual exchange rate of 1.28 USD/CDN.

(2) The impact of integrating MetroCast operating results for a full year, together with the acquisition of a fibre network and corresponding assets from FiberLight, LLC, completed on October 1, 2018, represent approximately 5% of revenue growth and 6% of adjusted EBITDA growth.

(3) The definition of acquisitions of property, plant and equipment excludes purchases of Spectrum licenses.

(4) 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 February 28, 2019, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and six-month periods ended February 28, 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 will receive 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 February 28, 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: - Cash flow from operating activities add: - Amortization of deferred transaction costs and discounts on long-term debt; - Changes in non-cash operating activities; - Income taxes paid; and - Financial expense paid deduct: - Current income taxes; - Financial expense; and - 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. 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: - Profit for the period from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - 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. The average foreign exchange rates during the three and six-month periods ended February 28, 2018 were 1.2595 USD/CDN and 1.2574 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: - Acquisition of property, plant and equipment divided by: - Revenue	No comparable IFRS measure

14.1 FREE CASH FLOW RECONCILIATION

	Three months ended		Six months ended	
	February 28, 2019	February 28, 2018 (1)	February 28, 2019	February 28, 2018 (1)
(in thousands of dollars)	$	$	$	$
Cash flow from operating activities	**199,462**	198,720	**298,458**	198,237
Amortization of deferred transaction costs and discounts on long-term debt	**2,183**	9,489	**4,321**	11,656
Changes in non-cash operating activities	**17,977**	(29,933)	**111,725**	61,621
Income taxes paid	**20,310**	36,835	**46,302**	132,992
Current income taxes	**(17,570)**	(25,135)	**(29,602)**	(47,567)
Financial expense paid	**42,131**	28,465	**87,908**	69,079
Financial expense	**(46,413)**	(47,267)	**(92,972)**	(77,486)
Acquisition of property, plant and equipment	**(92,773)**	(112,378)	**(193,330)**	(196,829)
Free cash flow	**125,307**	58,796	**232,810**	151,703

(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 the Business ICT services segment 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		Six months ended	
	February 28, 2019	February 28, 2018 (1)	February 28, 2019	February 28, 2018 (1)
(in thousands of dollars, except percentages)	$	$	$	$
Profit for the period from continuing operations	**86,128**	159,912	**164,934**	238,183
Income taxes	**23,998**	(80,867)	**41,034**	(54,352)
Financial expense	**46,413**	47,267	**92,972**	77,486
Depreciation and amortization	**120,291**	106,159	**240,028**	197,766
Integration, restructuring and acquisition costs	**3,722**	15,999	**9,435**	16,391
Adjusted EBITDA	**280,552**	248,470	**548,403**	475,474
Revenue	**584,129**	529,855	**1,160,802**	1,014,141
Adjusted EBITDA margin	**48.0%**	46.9%	**47.2%**	46.9%

(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 the Business ICT services segment as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

14.3 CAPITAL INTENSITY RECONCILIATION

	Three months ended		Six months ended	
	February 28, 2019	February 28, 2018 (1)	February 28, 2019	February 28, 2018 (1)
(in thousands of dollars, except percentages)	$	$	$	$
Acquisition of property, plant and equipment	**92,773**	112,378	**193,330**	196,829
Revenue	**584,129**	529,855	**1,160,802**	1,014,141
Capital intensity	**15.9%**	21.2%	**16.7%**	19.4%

(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 the Business ICT services segment as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

15. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	February 28,		November 30,		August 31,		May 31,	
(in thousands of dollars, except percentages and per share data)	**2019**	2018(1)(2)	**2018(2)**	2017(1)(2)	2018(1)(2)	2017	2018(1)(2)	2017
	$	$	**$**	$	$	$	$	$
Operations								
Revenue	**584,129**	529,855	**576,673**	484,286	566,184	551,728	567,079	565,158
Adjusted EBITDA	**280,552**	248,470	**267,851**	227,004	263,411	247,195	267,933	254,233
Adjusted EBITDA margin	**48.0%**	46.9%	**46.4%**	46.9%	46.5%	44.8%	47.2%	45.0%
Integration, restructuring and acquisition costs	**3,722**	15,999	**5,713**	392	1,677	3,191	2,260	—
Profit for the period from continuing operations	**86,128**	159,912	**78,806**	78,271	75,870	—	70,525	—
Loss for the period from discontinued operations	**(5,369)**	(16,079)	**(3,622)**	(1,885)	(1,052)	—	(5,365)	—
Profit for the period	**80,759**	143,833	**75,184**	76,386	74,818	71,335	65,160	76,203
Profit for the period attributable to owners of the Corporation	**76,349**	140,921	**70,170**	76,386	71,701	71,335	61,825	76,203
Cash flow								
Cash flow from operating activities	**199,462**	198,720	**98,996**	(483)	255,438	345,957	167,073	241,689
Acquisitions of property, plant and equipment	**92,773**	112,378	**100,557**	84,451	162,319	145,162	98,660	100,202
Free cash flow	**125,307**	58,796	**107,503**	92,907	47,739	50,841	102,408	104,728
Capital intensity	**15.9%**	21.2%	**17.4%**	17.4%	28.7%	26.3%	17.4%	17.7%
Earnings (loss) per share(3)								
Basic								
From continuing operations	**1.65**	3.19	**1.50**	1.59	1.48	—	1.36	—
From discontinued operations	**(0.11)**	(0.33)	**(0.07)**	(0.04)	(0.02)	—	(0.11)	—
From continuing and discontinued operations	**1.55**	2.86	**1.42**	1.55	1.45	1.45	1.25	1.55
Diluted								
From continuing operations	**1.64**	3.16	**1.49**	1.57	1.47	—	1.35	—
From discontinued operations	**(0.11)**	(0.33)	**(0.07)**	(0.04)	(0.02)	—	(0.11)	—
From continuing and discontinued operations	**1.53**	2.83	**1.41**	1.53	1.44	1.44	1.24	1.54
Dividends per share	**0.525**	0.475	**0.525**	0.475	0.475	0.43	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 the Business ICT services subsidiary 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 April 9, 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
Louis Audet
Executive Chairman of the Board

/s/ Philippe Jetté
Philippe Jetté
President and Chief Executive Officer

Cogeco Communications Inc.
Montréal, Québec
April 9, 2019

COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six-month periods ended February 28, 2019

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

		Three months ended February 28,		Six months ended February 28,	
	Notes	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
			(restated, Note 2)		*(restated, Note 2)*
Revenue	*3*	**584,129**	529,855	**1,160,802**	1,014,141
Operating expenses	*7*	**298,676**	276,275	**602,703**	528,829
Management fees – Cogeco Inc.	*18*	**4,901**	5,110	**9,696**	9,838
Integration, restructuring and acquisition costs	*4*	**3,722**	15,999	**9,435**	16,391
Depreciation and amortization	*8*	**120,291**	106,159	**240,028**	197,766
Financial expense	*9*	**46,413**	47,267	**92,972**	77,486
Profit before income taxes		**110,126**	79,045	**205,968**	183,831
Income taxes	*10*	**23,998**	(80,867)	**41,034**	(54,352)
Profit for the period from continuing operations		**86,128**	159,912	**164,934**	238,183
Loss for the period from discontinued operations	*6*	**(5,369)**	(16,079)	**(8,991)**	(17,964)
Profit for the period		**80,759**	143,833	**155,943**	220,219
Profit for the period attributable to:					
Owners of the Corporation		**76,349**	140,921	**146,519**	217,307
Non-controlling interest		**4,410**	2,912	**9,424**	2,912
		80,759	143,833	**155,943**	220,219
Earnings (loss) per share					
Basic	*11*				
Profit for the period from continuing operations		**1.65**	3.19	**3.15**	4.77
Loss for the period from discontinued operations		**(0.11)**	(0.33)	**(0.18)**	(0.36)
Profit for the period		**1.55**	2.86	**2.97**	4.41
Diluted	*11*				
Profit for the period from continuing operations		**1.64**	3.16	**3.13**	4.73
Loss for the period from discontinued operations		**(0.11)**	(0.33)	**(0.18)**	(0.36)
Profit for the period		**1.53**	2.83	**2.95**	4.37

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

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**80,759**	143,833	**155,943**	220,219
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	**(21,021)**	24,933	**(18,288)**	28,940
Related income taxes	**5,572**	(6,559)	**4,847**	(7,542)
	(15,449)	18,374	**(13,441)**	21,398
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(16,759)**	11,257	**15,324**	34,633
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**9,289**	(4,658)	**(7,982)**	(21,266)
Related income taxes	**—**	65	**—**	369
	(7,470)	6,664	**7,342**	13,736
	(22,919)	25,038	**(6,099)**	35,134
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**(1,807)**	1,187	**(2,889)**	2,194
Related income taxes	**479**	(314)	**766**	(581)
	(1,328)	873	**(2,123)**	1,613
	(24,247)	25,911	**(8,222)**	36,747
Comprehensive income for the period	**56,512**	169,744	**147,721**	256,966
Comprehensive income for the period attributable to:				
Owners of the Corporation	**55,630**	159,952	**135,356**	247,174
Non-controlling interest	**882**	9,792	**12,365**	9,792
	56,512	169,744	**147,721**	256,966

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	—	—	—	217,307	2,912	220,219
Other comprehensive income for the period	—	—	28,254	1,613	6,880	36,747
Comprehensive income for the period	—	—	28,254	218,920	9,792	256,966
Issuance of subordinate voting shares under the Stock Option Plan	3,075	—	—	—	—	3,075
Share-based payment	—	3,502	—	—	—	3,502
Share-based payment previously recorded in share-based payment reserve for options exercised	508	(508)	—	—	—	—
Dividends (Note 13 C))	—	—	—	(46,858)	—	(46,858)
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	4,572	(4,453)	—	(119)	—	—
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	—	—	—	—	389,047	389,047
Total contributions by (distributions to) shareholders	(1,197)	(1,459)	—	28,011	314,059	339,414
Balance at February 28, 2018	1,016,439	11,627	104,889	764,712	323,851	2,221,518
Balance at August 31, 2018	**1,017,172**	**15,260**	**113,774**	**850,963**	**336,442**	**2,333,611**
Profit for the period	**—**	**—**	**—**	**146,519**	**9,424**	**155,943**
Other comprehensive income (loss) for the period	**—**	**—**	**(9,040)**	**(2,123)**	**2,941**	**(8,222)**
Comprehensive income for the period	**—**	**—**	**(9,040)**	**144,396**	**12,365**	**147,721**
Issuance of subordinate voting shares under the Stock Option Plan	**1,289**	**—**	**—**	**—**	**—**	**1,289**
Share-based payment	**—**	**3,471**	**—**	**—**	**—**	**3,471**
Share-based payment previously recorded in share-based payment reserve for options exercised	**294**	**(294)**	**—**	**—**	**—**	**—**
Dividends (Note 13 C))	**—**	**—**	**—**	**(51,849)**	**—**	**(51,849)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,820**	**(3,492)**	**—**	**(328)**	**—**	**—**
Total contributions by (distributions to) shareholders	**5,403**	**(315)**	**—**	**(52,177)**	**—**	**(47,089)**
Balance at February 28, 2019	**1,022,575**	**14,945**	**104,734**	**943,182**	**348,807**	**2,434,243**

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

(In thousands of Canadian dollars)	*Notes*	**February 28, 2019** $	August 31, 2018 $	September 1, 2017 $
			(restated, Note 2)	*(restated, Note 2)*
Assets				
Current				
Cash and cash equivalents		**59,387**	84,725	211,185
Short-term investments		**—**	—	54,000
Trade and other receivables		**88,657**	97,294	90,387
Income taxes receivable		**36,518**	24,976	4,210
Prepaid expenses and other		**29,157**	29,473	20,763
Derivative financial instrument		**654**	1,330	98
Assets held for sale	*6*	**716,747**	—	—
		931,120	237,798	380,643
Non-current				
Other assets		**35,760**	42,677	35,934
Property, plant and equipment		**1,990,418**	2,323,678	1,970,862
Intangible assets		**2,858,032**	2,927,388	1,936,765
Goodwill		**1,349,082**	1,608,446	1,023,424
Derivative financial instruments		**16,215**	33,797	759
Pension plan assets		**—**	594	—
Deferred tax assets		**4,513**	5,665	10,918
		7,185,140	7,180,043	5,359,305
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness		**36,314**	5,949	3,801
Trade and other payables		**179,862**	302,806	316,762
Provisions		**30,273**	25,887	23,010
Income tax liabilities		**14,156**	16,133	103,649
Contract liabilities and other liabilities		**43,772**	59,656	76,667
Balance due on a business combination		**4,477**	—	118
Derivative financial instruments		**—**	—	192
Current portion of long-term debt	*12*	**22,387**	77,188	131,915
Liabilities held for sale	*6*	**54,414**	—	—
		385,655	487,619	656,114
Non-current				
Long-term debt	*12*	**3,797,539**	3,781,020	2,444,518
Contract liabilities and other liabilities		**10,990**	20,125	12,992
Pension plan liabilities and accrued employee benefits		**6,443**	2,784	4,934
Deferred tax liabilities		**550,270**	554,884	615,609
		4,750,897	4,846,432	3,734,167
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	*13 B)*	**1,022,575**	1,017,172	1,017,636
Share-based payment reserve		**14,945**	15,260	13,086
Accumulated other comprehensive income	*14*	**104,734**	113,774	76,635
Retained earnings		**943,182**	850,963	517,781
		2,085,436	1,997,169	1,625,138
Equity attributable to non-controlling interest		**348,807**	336,442	—
		2,434,243	2,333,611	1,625,138
		7,185,140	7,180,043	5,359,305

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

		Three months ended February 28,		Six months ended February 28,	
	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		86,128	159,912	164,934	238,183
Adjustments for:					
Depreciation and amortization	*8*	120,291	106,159	240,028	197,766
Financial expense	*9*	46,413	47,267	92,972	77,486
Income taxes	*10*	23,998	(80,867)	41,034	(54,352)
Share-based payment	*13 D)*	2,427	953	4,130	2,746
Loss on disposals and write-offs of property, plant and equipment		288	401	710	774
Defined benefit plans expense, net of contributions		335	262	585	(674)
		279,880	234,087	544,393	461,929
Changes in non-cash operating activities	*15 A)*	(17,977)	29,933	(111,725)	(61,621)
Financial expense paid		(42,131)	(28,465)	(87,908)	(69,079)
Income taxes paid		(20,310)	(36,835)	(46,302)	(132,992)
		199,462	198,720	298,458	198,237
Cash flow from investing activities					
Acquisition of property, plant and equipment		(92,773)	(112,378)	(193,330)	(196,829)
Redemption of a short-term investment		—	—	—	20,000
Business combinations, net of cash and cash equivalents acquired	*5*	—	(1,762,157)	(38,876)	(1,762,157)
Proceeds on disposals of property, plant and equipment		832	486	1,195	1,037
		(91,941)	(1,874,049)	(231,011)	(1,937,949)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		28,907	(24,583)	30,365	577
Net increase (decrease) under the revolving facilities		(118,083)	9,369	(3,921)	908
Issuance of long-term debt, net of discounts and transaction costs		—	2,082,408	—	2,082,408
Repayments of long-term debt		(5,587)	(705,067)	(66,240)	(712,056)
Repayment of balance due on a business combination		(655)	—	(655)	(118)
Increase in deferred transaction costs		(432)	(3,168)	(432)	(3,168)
Issuance of subordinate voting shares	*13 B)*	745	519	1,289	3,075
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		—	389,047	—	389,047
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*13 B)*	—	—	—	(9,352)
Dividends paid on multiple voting shares	*13 C)*	(8,238)	(7,454)	(16,476)	(14,907)
Dividends paid on subordinate voting shares	*13 C)*	(17,690)	(15,956)	(35,373)	(31,951)
		(121,033)	1,725,115	(91,443)	1,704,463
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(568)	423	(744)	1,497
Net change in cash and cash equivalents from continuing operations		(14,080)	50,209	(24,740)	(33,752)
Net change in cash and cash equivalents from discontinued operations	*6*	2,574	1,201	(598)	(3,783)
Cash and cash equivalents, beginning of the period		70,893	122,240	84,725	211,185
Cash and cash equivalents, end of the period		59,387	173,650	59,387	173,650

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. Through its subsidiary Cogeco Peer 1, Cogeco Communications provides business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and managed services), by way of its 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe. On February 27, 2019, the Corporation announced that it has reached an agreement to sell its Cogeco Peer 1 subsidiary (see Note 6).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.6% of the Corporation's equity shares, representing 82.2% 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 April 9, 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 accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three and six-month periods ended February 28, 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 February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	**$**
Revenue	529,791	64	—	529,855
Operating expenses	277,339	(37)	(1,027)	276,275
Management fees – Cogeco Inc.	5,110	—	—	5,110
Integration, restructuring and acquisition costs	15,999	—	—	15,999
Depreciation and amortization	105,538	(653)	1,274	106,159
Financial expense	47,267	—	—	47,267
Profit before income taxes	78,538	754	(247)	79,045
Income taxes	(79,304)	(1,498)	(65)	(80,867)
Profit for the period from continuing operations	157,842	2,252	(182)	159,912
Loss for the period from discontinued operations	(16,079)	—	—	(16,079)
Profit for the period	141,763	2,252	(182)	143,833
Profit for the period attributable to:				
Owners of the Corporation	138,887	2,212	(178)	140,921
Non-controlling interest	2,876	40	(4)	2,912
	141,763	2,252	(182)	143,833
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	3.14			3.19
Loss for the period from discontinued operations	(0.33)			(0.33)
Profit for the period	2.82			2.86
Diluted				
Profit for the period from continuing operations	3.12			3.16
Loss for the period from discontinued operations	(0.33)			(0.33)
Profit for the period	2.79			2.83

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

Six months ended February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	1,014,426	(285)	—	1,014,141
Operating expenses	530,885	226	(2,282)	528,829
Management fees – Cogeco Inc.	9,838	—	—	9,838
Integration, restructuring and acquisition costs	16,391	—	—	16,391
Depreciation and amortization	196,415	(1,267)	2,618	197,766
Financial expense	77,486	—	—	77,486
Profit before income taxes	183,411	756	(336)	183,831
Income taxes	(52,785)	(1,478)	(89)	(54,352)
Profit for the period from continuing operations	236,196	2,234	(247)	238,183
Loss for the period from discontinued operations	(17,964)	—	—	(17,964)
Profit for the period	218,232	2,234	(247)	220,219
Profit for the period attributable to:				
Owners of the Corporation	215,356	2,194	(243)	217,307
Non-controlling interest	2,876	40	(4)	2,912
	218,232	2,234	(247)	220,219
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	4.73			4.77
Loss for the period from discontinued operations	(0.36)			(0.36)
Profit for the period	4.37			4.41
Diluted				
Profit for the period from continuing operations	4.69			4.73
Loss for the period from discontinued operations	(0.36)			(0.36)
Profit for the period	4.33			4.37

(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 February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	157,842	2,252	(182)	159,912
Adjustments for:				
Depreciation and amortization	105,538	(653)	1,274	106,159
Financial expense	47,267	—	—	47,267
Income taxes	(79,304)	(1,498)	(65)	(80,867)
Share-based payment	953	—	—	953
Loss on disposals and write-offs of property, plant and equipment	401	—	—	401
Defined benefit plans expense, net of contributions	262	—	—	262
	232,959	101	1,027	234,087
Changes in non-cash operating activities	32,732	(2,799)	—	29,933
Financial expense paid	(28,465)	—	—	(28,465)
Income taxes paid	(36,835)	—	—	(36,835)
	200,391	(2,698)	1,027	198,720
Cash flow from investing activities				
Acquisition of property, plant and equipment	(110,589)	1,962	(3,751)	(112,378)
Acquisition of intangible and other assets	(3,460)	736	2,724	—
Business combination, net of cash and cash equivalents acquired	(1,762,157)	—	—	(1,762,157)
Proceeds on disposals of property, plant and equipment	486	—	—	486
	(1,875,720)	2,698	(1,027)	(1,874,049)
Cash flow from financing activities				
Decrease in bank indebtedness	(24,583)	—	—	(24,583)
Net increase under the revolving facilities	9,369	—	—	9,369
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(705,067)	—	—	(705,067)
Increase in deferred transaction costs	(3,168)	—	—	(3,168)
Issuance of subordinate voting shares	519	—	—	519
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	389,047	—	—	389,047
Dividends paid on multiple voting shares	(7,454)	—	—	(7,454)
Dividends paid on subordinate voting shares	(15,956)	—	—	(15,956)
	1,725,115	—	—	1,725,115
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	423	—	—	423
Net change in cash and cash equivalents from continuing operations	50,209	—	—	50,209
Net change in cash and cash equivalents from discontinued operations	1,201	—	—	1,201
Cash and cash equivalents, beginning of the period	122,240	—	—	122,240
Cash and cash equivalents, end of the period	173,650	—	—	173,650

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

Six months ended February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	236,196	2,234	(247)	238,183
Adjustments for:				
Depreciation and amortization	196,415	(1,267)	2,618	197,766
Financial expense	77,486	—	—	77,486
Income taxes	(52,785)	(1,478)	(89)	(54,352)
Share-based payment	2,746	—	—	2,746
Loss on disposals and write-offs of property, plant and equipment	774	—	—	774
Defined benefit plans contributions, net of expense	(674)	—	—	(674)
	460,158	(511)	2,282	461,929
Changes in non-cash operating activities	(58,304)	(3,317)	—	(61,621)
Financial expense paid	(69,079)	—	—	(69,079)
Income taxes paid	(132,992)	—	—	(132,992)
	199,783	(3,828)	2,282	198,237
Cash flow from investing activities				
Acquisition of property, plant and equipment	(191,070)	2,323	(8,082)	(196,829)
Acquisition of intangible and other assets	(7,305)	1,505	5,800	—
Redemption of a short-term investment	20,000	—	—	20,000
Business combination, net of cash and cash equivalents acquired	(1,762,157)	—	—	(1,762,157)
Proceeds on disposals of property, plant and equipment	1,037	—	—	1,037
	(1,939,495)	3,828	(2,282)	(1,937,949)
Cash flow from financing activities				
Increase in bank indebtedness	577	—	—	577
Net increase under the revolving facilities	908	—	—	908
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(712,056)	—	—	(712,056)
Repayment of balance due on a business combination	(118)	—	—	(118)
Increase in deferred transaction costs	(3,168)	—	—	(3,168)
Issuance of subordinate voting shares	3,075	—	—	3,075
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	389,047	—	—	389,047
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	(14,907)	—	—	(14,907)
Dividends paid on subordinate voting shares	(31,951)	—	—	(31,951)
	1,704,463	—	—	1,704,463
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	1,497	—	—	1,497
Net change in cash and cash equivalents from continuing operations	(33,752)	—	—	(33,752)
Net change in cash and cash equivalents from discontinued operations	(3,783)	—	—	(3,783)
Cash and cash equivalents, beginning of the period	211,185	—	—	211,185
Cash and cash equivalents, end of the period	173,650	—	—	173,650

(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		Consolidated	
Three months ended February 28,	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Revenue from customers						
Residential [(1)]	**294,559**	292,481	**219,414**	177,056	**513,973**	469,537
Commercial [(2)]	**31,854**	30,889	**30,745**	22,907	**62,599**	53,796
Other [(3)]	**346**	765	**7,211**	5,757	**7,557**	6,522
	326,759	324,135	**257,370**	205,720	**584,129**	529,855

(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		Consolidated	
Six months ended February 28,	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Revenue from customers						
Residential [(1)]	**584,716**	587,525	**436,906**	310,822	**1,021,622**	898,347
Commercial [(2)]	**63,978**	61,624	**60,172**	41,532	**124,150**	103,156
Other [(3)]	**530**	1,872	**14,500**	10,766	**15,030**	12,638
	649,224	651,021	**511,578**	363,120	**1,160,802**	1,014,141

(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 announcement, on February 27, 2019, of an agreement to sell this 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 February 28, 2019			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue (1)	**326,759**	**257,370**	**—**	**584,129**
Operating expenses	**152,091**	**140,225**	**6,360**	**298,676**
Management fees – Cogeco Inc.	**—**	**—**	**4,901**	**4,901**
Segment profit (loss)	**174,668**	**117,145**	**(11,261)**	**280,552**
Integration, restructuring and acquisition costs (2)	**3,216**	**506**	**—**	**3,722**
Depreciation and amortization	**63,294**	**56,980**	**17**	**120,291**
Financial expense				**46,413**
Profit before income taxes				**110,126**
Income taxes				**23,998**
Profit for the period from continuing operations				**86,128**
Acquisition of property, plant and equipment	**54,621**	**38,152**	**—**	**92,773**

(1) Revenue by geographic market includes $326,759 in Canada and $257,370 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 February 28, 2018			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
	(restated, Note 2)	*(restated, Note 2)*		*(restated, Note 2)*
Revenue (1)	324,135	205,720	—	529,855
Operating expenses	155,520	114,608	6,147	276,275
Management fees – Cogeco Inc.	—	—	5,110	5,110
Segment profit (loss)	168,615	91,112	(11,257)	248,470
Integration, restructuring and acquisition costs (2)	—	15,999	—	15,999
Depreciation and amortization	60,320	45,763	76	106,159
Financial expense				47,267
Profit before income taxes				79,045
Income taxes				(80,867)
Profit for the period from continuing operations				159,912
Acquisition of property, plant and equipment	53,863	58,515	—	112,378

(1) Revenue by geographic market includes $324,135 in Canada and $205,720 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)

				Six months ended February 28, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue (1)	649,224	511,578	—	1,160,802
Operating expenses	311,417	277,157	14,129	602,703
Management fees – Cogeco Inc.	—	—	9,696	9,696
Segment profit (loss)	337,807	234,421	(23,825)	548,403
Integration, restructuring and acquisition costs (2)	8,659	776	—	9,435
Depreciation and amortization	126,191	113,792	45	240,028
Financial expense				92,972
Profit before income taxes				205,968
Income taxes				41,034
Profit for the period from continuing operations				164,934
Acquisition of property, plant and equipment	113,079	80,251	—	193,330

(1) Revenue by geographic market includes $649,224 in Canada and $511,578 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.

				Six months ended February 28, 2018
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
	(restated, Note 2)	*(restated, Note 2)*		*(restated, Note 2)*
Revenue (1)	651,021	363,120	—	1,014,141
Operating expenses	308,935	210,053	9,841	528,829
Management fees – Cogeco Inc.	—	—	9,838	9,838
Segment profit (loss)	342,086	153,067	(19,679)	475,474
Integration, restructuring and acquisition costs (2)	—	16,391	—	16,391
Depreciation and amortization	118,725	78,890	151	197,766
Financial expense				77,486
Profit before income taxes				183,831
Income taxes				(54,352)
Profit for the period from continuing operations				238,183
Acquisition of property, plant and equipment	102,617	94,212	—	196,829

(1) Revenue by geographic market includes $651,021 in Canada and $363,120 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 February 28, 2019 and August 31, 2018:

				At February 28, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	**Total**
	$	$	$	$
Property, plant and equipment	1,123,335	866,964	119	1,990,418
Intangible assets	998,237	1,859,795	—	2,858,032
Goodwill	4,662	1,344,420	—	1,349,082

(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 February 28, 2019 Total**
	$	**$**	**$**
Property, plant and equipment	**1,123,454**	**866,964**	**1,990,418**
Intangible assets	**998,237**	**1,859,795**	**2,858,032**
Goodwill	**4,662**	**1,344,420**	**1,349,082**

	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. DISCONTINUED OPERATIONS

On February 27, 2019, the Corporation announced that it had reached an agreement to sell Cogeco Peer 1, its Business information and communications technology ("Business ICT") services subsidiary. The transaction is valued at $720 million and is subject to certain closing adjustments. The completion of the transaction is expected to occur during the third fiscal quarter of 2019 and is subject to customary closing conditions.

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 assets and liabilities of Cogeco Peer 1 were reclassified in the interim consolidated statement of financial position at February 28, 2019 to current assets held for sale and current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected within one year.

The proceeds of disposal are expected to exceed the carrying amount of the discontinued net assets and accordingly no impairment losses have been recognized on the classification of Cogeco Peer 1's assets and liabilities as held for sale.

The loss of the discontinued operations is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Revenue	**66,155**	69,147	**132,813**	138,137
Operating expenses	**50,228**	49,790	**99,194**	99,017
Depreciation and amortization	**21,823**	23,648	**43,999**	47,723
Financial expense	**81**	286	**(529)**	(451)
Loss before income taxes	**(5,977)**	(4,577)	**(9,851)**	(8,152)
Income taxes	**(608)**	11,502	**(860)**	9,812
Loss for the period from discontinued operations	**(5,369)**	(16,079)	**(8,991)**	(17,964)

The cash flows of the discontinued operations are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Cash flow from operating activities	**10,503**	12,605	**19,163**	18,492
Cash flow from investing activities	**(7,914)**	(11,401)	**(19,821)**	(22,236)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(15)**	(3)	**60**	(39)
Net change in cash and cash equivalents from discontinued operations	**2,574**	1,201	**(598)**	(3,783)

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

The following table summarizes the carrying value of the assets and liabilities of the discontinued operations, classified as held for sale, as at February 28, 2019:

	$
Trade and other receivables	20,745
Income taxes receivable	3,158
Prepaid expenses and other	7,599
Property, plant and equipment	352,483
Intangible assets	49,376
Other assets	9,863
Goodwill	271,821
Deferred tax assets	1,702
Assets held for sale	**716,747**
Trade and other payables	19,169
Provisions	34
Income tax liabilities	12
Contract liabilities and other liabilities	23,182
Deferred tax liabilities	12,017
Liabilities held for sale	**54,414**

7. OPERATING EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Salaries, employee benefits and outsourced services	**85,220**	78,464	**171,305**	148,580
Service delivery costs (1)	**167,657**	152,182	**334,863**	290,907
Customer related costs (2)	**18,665**	15,863	**39,374**	33,386
Other external purchases (3)	**27,134**	29,766	**57,161**	55,956
	298,676	276,275	**602,703**	528,829

(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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Depreciation of property, plant and equipment	**106,100**	94,455	**211,873**	179,634
Amortization of intangible assets	**14,191**	11,704	**28,155**	18,132
	120,291	106,159	**240,028**	197,766

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

9. FINANCIAL EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
	$	$	$	$
Interest on long-term debt [(1)]	46,120	47,554	91,503	77,589
Net foreign exchange gains	(479)	(621)	(256)	(769)
Amortization of deferred transaction costs	465	389	906	1,005
Capitalized borrowing costs [(2)]	(178)	(708)	(298)	(1,574)
Other	485	653	1,117	1,235
	46,413	47,267	92,972	77,486

(1) 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 six-month periods ended February 28, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
	$	$	$	$
		(restated, Note 2)		*(restated, Note 2)*
Current	17,570	25,135	29,602	47,567
Deferred	6,428	(106,002)	11,432	(101,919)
	23,998	(80,867)	41,034	(54,352)

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 February 28,		Six months ended February 28,	
	2019	2018	2019	2018
	$	$	$	$
		(restated, Note 2)		*(restated, Note 2)*
Profit before income taxes	110,126	79,045	205,968	183,831
Combined Canadian income tax rate	26.5%	26.5%	26.5%	26.5%
Income taxes at combined Canadian income tax rate	29,184	20,947	54,582	48,715
Adjustment for losses or profit subject to lower or higher tax rates	207	(2,912)	1,022	(852)
Impact on deferred taxes as a result of changes in substantively enacted tax rates [(1)]	287	(94,061)	287	(94,175)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	808	(56)	821	(133)
Tax impacts related to foreign operations	(7,100)	(5,038)	(13,861)	(8,744)
Other	612	253	(1,817)	837
Income taxes at effective income tax rate	23,998	(80,867)	41,034	(54,352)

(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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Profit for the period from continuing operations attributable to owners of the Corporation	**81,718**	157,000	**155,510**	235,271
Loss for the period from discontinued operations attributable to owners of the Corporation	**(5,369)**	(16,079)	**(8,991)**	(17,964)
Profit for the period attributable to owners of the Corporation	**76,349**	140,921	**146,519**	217,307
Weighted average number of multiple and subordinate voting shares outstanding	**49,386,790**	49,285,885	**49,363,604**	49,287,026
Effect of dilutive stock options [1]	**123,794**	182,878	**94,223**	215,547
Effect of dilutive incentive share units	**110,223**	113,186	**107,601**	108,275
Effect of dilutive performance share units	**150,624**	144,121	**143,084**	134,352
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,771,431**	49,726,070	**49,708,512**	49,745,200
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	**1.65**	3.19	**3.15**	4.77
Loss for the period from discontinued operations	**(0.11)**	(0.33)	**(0.18)**	(0.36)
Profit for the period	**1.55**	2.86	**2.97**	4.41
Diluted				
Profit for the period from continuing operations	**1.64**	3.16	**3.13**	4.73
Loss for the period from discontinued operations	**(0.11)**	(0.33)	**(0.18)**	(0.36)
Profit for the period	**1.53**	2.83	**2.95**	4.37

(1) For the three and six-month periods ended February 28, 2019, 253,585 and 257,485 stock options (258,175 and none 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		February 28, 2019	August 31, 2018
		%		$	$
Corporation					
Term Revolving Facility [1]					
Canadian Revolving Facility					
Revolving loan – US$328 million (US$310 million at August 31, 2018) [2]	January 2024	3.94	[4]	**431,943**	404,705
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		**32,833**	32,540
Series B - US$150 million	September 2026	4.29		**196,921**	195,176
Senior Secured Notes Series B [3]		—		**—**	54,994
Senior Secured Notes - US$215 million	June 2025	4.30		**282,224**	279,711
Senior Secured Debentures Series 2	November 2020	5.15		**199,644**	199,544
Senior Secured Debentures Series 3	February 2022	4.93		**199,356**	199,255
Senior Secured Debentures Series 4	May 2023	4.18		**298,538**	298,381
Subsidiaries					
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,687.3 million (US$1,695.8 million at August 31, 2018)	January 2025	4.87	[4] [5]	**2,178,467**	2,167,792
Senior Secured Revolving Facility - US$20 million at August 31, 2018		—		**—**	26,110
				3,819,926	3,858,208
Less current portion				**22,387**	77,188
				3,797,539	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) An amount of US$12 million drawn under the Revolving loan facility has been hedged until March 29, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $15.8 million and the effective interest rate on the Canadian dollar equivalent at 3.21%.

(3) The Corporation proceeded to the reimbursement of the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

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

(5) 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 4.57%.

(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

	February 28, 2019	August 31, 2018
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,903,705 subordinate voting shares (33,874,114 at August 31, 2018)	938,809	937,226
	1,037,155	1,035,572
84,588 subordinate voting shares held in trust under the Incentive Share Unit Plan (111,717 at August 31, 2018)	(5,730)	(7,569)
117,146 subordinate voting shares held in trust under the Performance Share Unit Plan (143,377 at August 31, 2018)	(8,850)	(10,831)
	1,022,575	1,017,172

During the first six 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	29,591	1,289
Share-based payment previously recorded in share-based payment reserve for options exercised	—	294
Balance at February 28, 2019	33,903,705	938,809

During the first six 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 distributed to employees	(27,129)	(1,839)
Balance at February 28, 2019	84,588	5,730

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

During the first six 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 distributed to employees	(26,231)	(1,981)
Balance at February 28, 2019	**117,146**	**8,850**

C) DIVIDENDS

For the six-month period ended February 28, 2019, quarterly eligible dividends of $0.525 per share, for a total of $1.05 per share or $51.8 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 $0.95 per share or $46.9 million for the six-month period ended February 28, 2018.

	Six months ended February 28,	
	2019	2018
	$	$
Dividends on multiple voting shares	16,476	14,907
Dividends on subordinate voting shares	35,373	31,951
	51,849	46,858

At its April 9, 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 May 7, 2019 to shareholders of record on April 23, 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 February 28, 2019:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2018	819,393	65.27
Granted (1)	199,450	65.23
Exercised (2)	(29,591)	43.57
Cancelled	(13,415)	71.61
Outstanding at February 28, 2019	**975,837**	**65.83**
Exercisable at February 28, 2019	**403,412**	**57.41**

(1) During the six-month period ended February 28, 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 $66.48.

A compensation expense of $180,000 and $439,000 ($121,000 and $356,000 in 2018) was recorded for the three and six-month periods ended February 28, 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 six-month period ended February 28, 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 February 28, 2019:

Outstanding at August 31, 2018	105,475
Granted	37,300
Distributed	(27,129)
Cancelled	(7,621)
Outstanding at February 28, 2019	**108,025**

A compensation expense of $513,000 and $1,067,000 ($669,000 and $1,183,000 in 2018) was recorded for the three and six-month periods ended February 28, 2019 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	133,181
Granted [(1)]	45,175
Performance-based additional units granted	200
Distributed	(26,231)
Cancelled	(5,629)
Dividend equivalents	2,297
Outstanding at February 28, 2019	**148,993**

(1) During the six-month period ended February 28, 2019, the Corporation granted 14,625 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $499,000 and $940,000 ($598,000 and $1,085,000 in 2018) was recorded for the three and six-month periods ended February 28, 2019 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	42,607
Issued	11,328
Dividend equivalents	729
Outstanding at February 28, 2019	**54,664**

A compensation expense of $659,000 and $335,000 (compensation expense reduction of $399,000 and $271,000 in 2018) was recorded for the three and six-month periods ended February 28, 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	21,398	6,856	28,254
Balance at February 28, 2018	21,836	83,053	104,889
Balance at August 31, 2018	**25,818**	**87,956**	**113,774**
Other comprehensive income	**(13,441)**	**4,401**	**(9,040)**
Balance at February 28, 2019	**12,377**	**92,357**	**104,734**

15. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Trade and other receivables	**(8,460)**	(2,813)	**(8,453)**	389
Prepaid expenses and other	**3,349**	(62)	**(7,623)**	(10,170)
Other assets	**(1,392)**	(2,396)	**(3,753)**	(2,930)
Trade and other payables	**(13,822)**	29,949	**(94,881)**	(57,265)
Provisions	**3,619**	480	**4,195**	591
Contract liabilities and other liabilities	**(1,271)**	4,775	**(1,210)**	7,764
	(17,977)	29,933	**(111,725)**	(61,621)

(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	577	—	—	577
Net increase under the revolving facilities	—	—	908	908
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(712,056)	(712,056)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	577	(118)	1,371,260	1,371,719
Effect of changes in foreign exchange rates	—	—	68,734	68,734
Amortization of discounts and transaction costs	—	—	10,651	10,651
Total non-cash changes	—	—	79,385	79,385
Balance at February 28, 2018	4,378	—	4,027,078	4,031,456
Balance at August 31, 2018	5,949	—	3,858,208	3,864,157
Increase in bank indebtedness	30,365	—	—	30,365
Net decrease under the revolving facilities	—	—	(3,921)	(3,921)
Repayment of long-term debt	—	—	(66,240)	(66,240)
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	30,365	4,350	(70,161)	(35,446)
Effect of changes in foreign exchange rates	—	127	28,464	28,591
Amortization of discounts and transaction costs	—	—	3,415	3,415
Total non-cash changes	—	127	31,879	32,006
Balance at February 28, 2019	36,314	4,477	3,819,926	3,860,717

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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	$	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	405	313	810	748
Administrative expense	77	62	154	125
Recognized in financial expense (other)				
Net interest	3	15	6	41
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	2,134	1,745	4,150	3,908
	2,619	2,135	5,120	4,822

(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 February 28, 2019, the Corporation had used $466.9 million of its $800 million Term Revolving Facility for a remaining availability of $333.1 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $197.5 million (US$150 million), of which $2.8 million (US$2.1 million) was used at February 28, 2019 for a remaining availability of $194.7 million (US $147.9 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 February 28, 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 February 28, 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 $11.1 million based on the outstanding debt at February 28, 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 $14 million based on the outstanding debt at February 28, 2019.

Furthermore, the Corporation's net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. The risk related to the US dollar aggregate investments is mitigated since the major part 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 February 28, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$706 million	US$992.1 million	Net investments in foreign operations in US dollar
N/A	£—	£22.9 million	N/A

The exchange rates used to translate the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at February 28, 2019 was $1.3169 ($1.3055 at August 31, 2018) per US dollar and $1.7484 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.7 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:

	February 28, 2019		August 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	3,819,926	3,893,440	3,858,208	3,941,543

C) CAPITAL MANAGEMENT

At February 28, 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 as well as assets and liabilities held for sale:

	February 28, 2019	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	3.3	3.5
Net indebtedness (3) / adjusted EBITDA (2)	3.3	3.5
Adjusted EBITDA (2) / financial expense (2)	5.8	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 February 28, 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"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue from continuing and discontinued operations of the Corporation (0.85% for the period prior to January 4, 2018). In addition, the Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement. Provision is made for future adjustment upon the request of either Cogeco or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. For the three and six-month periods ended February 28, 2019, management fees paid to Cogeco amounted to $4.9 million and $9.7 million, compared to $5.1 million and $9.8 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the six-month period ended February 28, 2019, the Corporation granted 97,725 (124,625 in 2018) stock options, did not grant any ISUs (nil in 2018) and granted 14,625 (18,750 in 2018) PSUs to these executive officers as executive officers of Cogeco Communications.

During the three and six-month periods ended February 28, 2019, the Corporation charged Cogeco $195,000 and $493,000 ($201,000 and $395,000 in 2018), $15,000 and $30,000 ($0 and $1,000 in 2018) and $302,000 and $502,000 ($248,000 and $482,000 in 2018), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

For the three and six-month periods ended February 28, 2019, the Corporation charged Cogeco $64,000 and $324,000 for DSUs issued to Board directors of Cogeco.

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

CUSTOMER STATISTICS

	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018
CONSOLIDATED					
Primary service units	**2,703,223**	**2,711,932**	2,751,383	2,782,705	2,788,268
Internet service customers	**1,214,566**	**1,204,602**	1,207,225	1,207,262	1,199,201
Video service customers	**976,377**	**988,398**	1,006,020	1,019,852	1,029,901
Telephony service customers	**512,280**	**518,932**	538,138	555,591	559,166
CANADA					
Primary service units	**1,825,011**	**1,831,628**	1,866,918	1,901,037	1,914,178
Internet service customers	**785,004**	**778,996**	782,277	787,007	786,314
Penetration as a percentage of homes passed	**44.7%**	**44.4%**	44.7%	45.0%	45.1%
Video service customers	**668,771**	**675,699**	688,768	699,554	708,584
Penetration as a percentage of homes passed	**38.1%**	**38.5%**	39.3%	40.0%	40.7%
Telephony service customers	**371,236**	**376,933**	395,873	414,476	419,280
Penetration as a percentage of homes passed	**21.1%**	**21.5%**	22.6%	23.7%	24.1%
UNITED STATES					
Primary service units	**878,212**	**880,304**	884,465	881,668	874,090
Internet service customers	**429,562**	**425,606**	424,948	420,255	412,887
Penetration as a percentage of homes passed(1)	**49.6%**	**49.2%**	49.7%	49.8%	48.3%
Video service customers	**307,606**	**312,699**	317,252	320,298	321,317
Penetration as a percentage of homes passed(1)	**35.5%**	**36.2%**	37.1%	37.9%	37.6%
Telephony service customers	**141,044**	**141,999**	142,265	141,115	139,886
Penetration as a percentage of homes passed(1)	**16.3%**	**16.4%**	16.6%	16.7%	16.4%

(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.