COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three-month period ended November 30, 2018

FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2018	November 30, 2017 (1)	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages and per share data)	$	$	%	%	$
Operations					
Revenue	643,331	553,276	16.3	14.2	11,555
Adjusted EBITDA(3)	285,543	246,767	15.7	13.8	4,792
Adjusted EBITDA margin(3)	44.4%	44.6%			
Integration, restructuring and acquisition costs(4)	5,713	392	—		
Profit for the period	75,184	76,386	(1.6)		
Profit for the period attributable to owners of the Corporation	70,170	76,386	(8.1)		
Cash flow					
Cash flow from operating activities	107,656	5,404	—		
Acquisitions of property, plant and equipment(5)	112,465	95,295	18.0	15.2	2,649
Free cash flow(3)	113,891	102,448	11.2	10.5	727
Capital intensity	17.5%	17.2%			
Financial condition(6)					
Cash and cash equivalents	70,893	84,725	(16.3)		
Total assets	7,288,866	7,180,043	1.5		
Indebtedness(7)	4,035,674	3,914,711	3.1		
Equity attributable to owners of the Corporation	2,053,285	1,997,169	2.8		
Per Share Data(8)					
Earnings per share					
Basic	1.42	1.55	(8.4)		
Diluted	1.41	1.53	(7.8)		
Dividends	0.525	0.475	10.5		

(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 of the MD&A.

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current period denominated in US dollars and GBP currency at the foreign exchange rates of the comparable period of the prior year. For the three-month period ended November 30, 2017, the average foreign exchange rates used for translation were 1.2552 USD/CDN and 1.6638 GBP/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-month period ended November 30, 2018 integration, restructuring and acquisition costs were mostly due to restructuring costs in the Canadian broadband services segment and were related to an employee reduction program. Fiscal 2018 first-quarter integration, restructuring and acquisition costs were related to acquisition and integration costs in anticipation of the MetroCast acquisition completed on January 4, 2018.

(5) For the three-month period ended November 30, 2018, acquisitions of property, plant and equipment in constant currency amounted to $109.8 million.

(6) At November 30, 2018 and August 31, 2018.

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

(8) Per multiple and subordinate voting share.

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

Three-month period ended November 30, 2018

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" and "Fiscal 2019 Financial Guidelines" sections of the Corporation's 2018 annual 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. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2018 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	Business information and communications technology ("Business ICT 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	Focusing on sustainable revenue 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	Optimizing the use of current assets in order to optimize cash flows
Exploring a potential wireless service in a profitable manner and within our financial means	Building on initial successes in expanding the Florida market	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure
Investing in the development of our people	Improving our networks with state-of-the-art advanced technologies	Leveraging our global workforce

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

The Corporation maintained its 2019 financial guidelines, as issued on October 31, 2018, following the application of IFRS 15.

REVENUE

Fiscal 2019 first-quarter revenue increased by 16.3% (14.2% in constant currency) resulting from:

- a growth of 61.5% (55.0% in constant currency) in the American broadband services segment mainly due to the acquisition on January 4, 2018 of the MetroCast cable systems ("the MetroCast acquisition"); partly offset by
- a decrease of 1.4% (1.4% in constant currency) in the Canadian broadband services segment mainly as a result of:
    - a higher decline in primary service units 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
    - lower promotional pricing provided to customers.
- a decrease of 3.2% (5.0% in constant currency) in the Business ICT services segment as a result of higher churn and the continued pricing pressure on hosting and network connectivity services.

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA increased by 15.7% (13.8% in constant currency) as a result of:

- an increase of 89.3% (81.6% in constant currency) in the American broadband services segment mainly as a result of the MetroCast acquisition; partly offset by
- a decrease of 6.0% (5.7% in constant currency) in the Canadian broadband services segment; and
- a decrease of 10.0% (12.3% in constant currency) in the Business ICT services segment.

(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.

FREE CASH FLOW

Fiscal 2019 first-quarter free cash flow increased by 11.2% (10.5% in constant currency) due to:

- the improvement in adjusted EBITDA; and
- the decrease in current income taxes expense; partly offset by
- the increase in financial expense;
- the increase in acquisitions of property, plant and equipment resulting mostly from higher capital expenditures in the Canadian and American broadband services segments; and
- the increase in integration, restructuring and acquisition costs.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 18.0% (15.2% in constant currency) mostly due to higher capital expenditures in the Canadian and American broadband services segments. Fiscal 2019 first-quarter capital intensity reached 17.5% compared to 17.2% mainly as a result of capital expenditures growth exceeding revenue growth.

In the Canadian broadband services segment, the acquisitions of property, plant and equipment increased by 19.9% (18.3% in constant currency) resulting from:

- additional investments to improve the network infrastructure; and
- higher purchases of customer premise equipment.

In the American broadband services segment, the acquisitions of property, plant and equipment increase by 17.9% (13.3% in constant currency), compared to the prior year mainly due to:

- additional capital expenditures related to the MetroCast acquisition; and
- additional capital expenditures related to the expansion in Florida.

In the Business ICT services segment, the acquisitions of property, plant and equipment increased by 9.8% (7.7% in constant currency) resulting mainly from:

- additional investments to upgrade our network;
- costs to build a third pod in the Kirkland data centre facility to service customer needs;
- capital expenditures from the operational projects to optimize systems and processes; partly offset by
- lower purchase of equipments to serve customers.

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

3. BUSINESS DEVELOPMENTS AND OTHER

On December 6, 2018, Cogeco Communications confirmed that it has elected to not participate in the auction process for licenses in the 600 MHz spectrum band that will take place in 2019. The structure of the auction based on large geographic areas makes the acquisition of such spectrum uneconomical. This decision is consistent with the Corporation's continued commitment to pursue opportunities to enter the wireless market in a disciplined and thoughtful manner. Following the acquisition of spectrum licenses in fiscal 2018, Cogeco Communications is committed to continue exploring various business models in order to launch a profitable wireless service.

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

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 "FiberLight acquisition") which provides high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 350 route miles to Atlantic Broadband's existing south Florida footprint.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	643,331	553,276	16.3	14.2	11,555
Operating expenses	352,993	301,781	17.0	14.7	6,763
Management fees – Cogeco Inc.	4,795	4,728	1.4	1.4	—
Adjusted EBITDA	285,543	246,767	15.7	13.8	4,792
Adjusted EBITDA margin	44.4%	44.6%			

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/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 rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

REVENUE

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	322,465	326,886	(1.4)	(1.4)	—
American broadband services	254,208	157,400	61.5	55.0	10,273
Business ICT services	67,666	69,883	(3.2)	(5.0)	1,282
Inter-segment eliminations and other	(1,008)	(893)	12.9	12.9	—
Revenue	643,331	553,276	16.3	14.2	11,555

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/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 rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

Fiscal 2019 first-quarter revenue increased by 16.3% (14.2% in constant currency) resulting from:

- a growth in the American broadband services segment mainly due to the MetroCast acquisition completed in the second quarter of fiscal 2018; partly offset by
- a decrease in the Canadian broadband services segment mainly as a result of:
  - a higher decline in primary service units 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
  - lower promotional pricing provided to customers.
- a decrease in the Business ICT services segment as a result of higher churn and the continued pricing pressure on hosting and network connectivity services.

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

OPERATING EXPENSES

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	159,326	153,415	3.9	3.6	409
American broadband services	136,932	95,445	43.5	37.7	5,518
Business ICT services	49,889	50,120	(0.5)	(2.1)	829
Inter-segment eliminations and other	6,846	2,801	—	—	7
Operating expenses	352,993	301,781	17.0	14.7	6,763

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/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 rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

Fiscal 2019 operating expenses increased by 17.0% (14.7% in constant currency) mainly from:

- additional costs in the American broadband services segment mainly due to the impact of the MetroCast 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; and
- additional costs in Inter-segment eliminations and other resulting from efficiency projects and the timing of certain initiatives; partly offset by
- lower operating expenses in the Business ICT services segment.

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

MANAGEMENT FEES

Fiscal 2019 first-quarter management fees paid to Cogeco Inc. remained essentially the same at $4.8 million compared to $4.7 million for the same period 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				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	163,139	173,471	(6.0)	(5.7)	(409)
American broadband services	117,276	61,955	89.3	81.6	4,755
Business ICT services	17,777	19,763	(10.0)	(12.3)	453
Inter-segment eliminations and other	(12,649)	(8,422)	50.2	50.1	(7)
Adjusted EBITDA	285,543	246,767	15.7	13.8	4,792

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/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 rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

Fiscal 2019 first-quarter adjusted EBITDA increased by 15.7% (13.8% in constant currency) as a result of:

- an increase of 89.3% (81.6% in constant currency) in the American broadband services segment mainly as a result of the MetroCast acquisition; partly offset by
- a decrease of 6.0% (5.7% in constant currency) in the Canadian broadband services segment; and
- a decrease of 10.0% (12.3% in constant currency) in the Business ICT 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

Fiscal 2019 first-quarter integration, restructuring and acquisition costs amounted to $5.7 million mostly due to restructuring costs in the Canadian broadband services segment from an employee reduction 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 to accelerate its ongoing digital transformation.

Fiscal 2018 first-quarter integration, restructuring and acquisition costs amounted to $0.4 million due to acquisition and integration costs in anticipation of the MetroCast acquisition completed in the second quarter of fiscal 2018.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2018	November 30, 2017 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	123,690	105,072	17.7
Amortization of intangible assets	18,223	10,610	71.8
Depreciation and amortization	141,913	115,682	22.7

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

Fiscal 2019 first-quarter depreciation and amortization expense increased by 22.7% mostly as a result of the MetroCast acquisition combined with the appreciation of the US dollar and British Pound against the Canadian dollar compared to the same period of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended		
	November 30, 2018	November 30, 2017	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	45,383	30,035	51.1
Net foreign exchange gains	(470)	(958)	(50.9)
Amortization of deferred transaction costs	441	616	(28.4)
Capitalized borrowing costs	(120)	(866)	(86.1)
Other	715	655	9.2
Financial expense	45,949	29,482	55.9

Fiscal 2019 first-quarter financial expense increased by 55.9% mainly as follows:

- higher level of Indebtedness and 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		
	November 30, 2018	November 30, 2017 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	**91,968**	101,211	(9.1)
Combined Canadian income tax rate	**26.5%**	26.5%	—
Income taxes at combined Canadian income tax rate	**24,372**	26,821	(9.1)
Adjustment for losses or profit subject to lower or higher tax rates	**997**	1,808	(44.9)
Revaluation of deferred tax assets	**(490)**	201	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**—**	(158)	(100.0)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**33**	(130)	—
Tax impacts related to foreign operations	**(6,761)**	(4,045)	67.1
Other	**(1,367)**	328	—
Income taxes	**16,784**	24,825	(32.4)

(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.

Fiscal 2019 first-quarter income taxes expense decreased by 32.4% compared to the same period of the prior year mainly attributable to:

- the effect of the federal rate reduction in the United States;
- the decrease in profit before income taxes resulting from increases in depreciation and amortization and financial expense related to the MetroCast acquisition completed in the second quarter of fiscal 2018 combined with the increase in integration, restructuring and acquisition costs; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

On November 21, 2018, the Canada Ministry of Finance released its 2018 Fall Economic Update, pursuant to which Canadian businesses will temporarily be allowed to accelerate tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018. Finance's announcement includes a phase out 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.

4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2018	November 30, 2017 [1]	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period	**75,184**	76,386	(1.6)
Profit for the period attributable to owners of the Corporation	**70,170**	76,386	(8.1)
Profit for the period attributable to non-controlling interest[2]	**5,014**	—	—
Basic earnings per share	**1.42**	1.55	(8.4)

(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) The non-controlling interest represents a participation of 21% in Atlantic Broadband's results.

Fiscal 2019 first-quarter profit for the period decreased by 1.6% as a result of:

- the increases in depreciation and amortization and financial expense mostly related to the MetroCast acquisition; and
- the increase in integration, restructuring and acquisition costs mostly in the Canadian broadband services segment; partly offset by
- the improvement of adjusted EBITDA mainly as a result of the MetroCast acquisition; and
- the decrease in income taxes.

Fiscal 2019 first-quarter profit for the period attributable to owners of the Corporation decreased by 8.1% mainly as the result of the equity investment by Caisse de dépot et placement du Québec ("CDPQ") in Atlantic Broadband's holding company, representing 21% of Atlantic Broadband, effective since the second quarter of fiscal 2018.

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 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 quarter 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 first quarter of fiscal 2019, the Corporation charged Cogeco $298,000 ($194,000 in 2018), $15,000 ($1,000 in 2018) and $200,000 ($234,000 in 2018), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers. During the first quarter of fiscal 2019, the Corporation charged Cogeco $260,000 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		
	November 30, 2018	November 30, 2017 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%
Cash flow from operating activities	**107,656**	5,404	—
Cash flow from investing activities	**(150,977)**	(74,735)	—
Cash flow from financing activities	**29,590**	(20,652)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(101)**	1,038	—
Net change in cash and cash equivalents	**(13,832)**	(88,945)	(84.4)
Cash and cash equivalents, beginning of the period	**84,725**	211,185	(59.9)
Cash and cash equivalents, end of the period	**70,893**	122,240	(42.0)

(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.

6.1 OPERATING ACTIVITIES

Fiscal 2019 first-quarter cash flow from operating activities reached $107.7 million compared to $5.4 million for the same period of the prior year mainly from:

- the decrease in income taxes paid mainly as a result of the payment of income tax installments of $85.5 million in the first quarter of fiscal 2018 pursuant to a corporate structure reorganization of the Canadian broadband services segment's subsidiaries in fiscal 2017;
- the improvement in adjusted EBITDA; partly offset by
- the increase in financial expense paid as a result of higher level of Indebtedness and higher interest rates following the MetroCast acquisition.

6.2 INVESTING ACTIVITIES

Fiscal 2019 first-quarter investing activities reached $151.0 million compared to $74.7 million for the same period of the prior year mainly due to:

- the acquisition, on October 3, 2018, of a fibre network and corresponding assets in south Florida from the FiberLight acquisition;
- the increase in acquisitions of property, plant and equipment; and
- the redemption of short-term investments in the prior year.

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 an industry leader in providing high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 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 November 30, 2018 $
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			
	November 30, 2018	November 30, 2017 (1)	Change	Change in constant currency (2)
(in thousands of dollars, except percentages)	$	$	%	%
Canadian broadband services	58,458	48,754	19.9	18.3
Capital intensity	18.1%	14.9%		
American broadband services	42,099	35,697	17.9	13.3
Capital intensity	16.6%	22.7%		
Business ICT services	11,908	10,844	9.8	7.7
Capital intensity	17.6%	15.5%		
Consolidated	112,465	95,295	18.0	15.2
Capital intensity	17.5%	17.2%		

(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 rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 18.0% (15.2% in constant currency) mainly due to higher capital expenditures in the Canadian and American broadband services segments.

Fiscal 2019 first-quarter capital intensity reached 17.5% compared to 17.2% for the same period of the prior year mainly as a result of capital expenditures growth exceeding revenue growth.

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 first-quarter free cash flow amounted to $113.9 million, an increase of 11.2% (10.5% in constant currency), compared to the same period of the prior year mainly due to the following:

- the improvement in adjusted EBITDA; and
- the decrease in current income taxes expense; partly offset by
- the increase in financial expense;
- the increase in acquisitions of property, plant and equipment resulting mostly from higher capital expenditures in the Canadian and American broadband services segments; and
- the increase in integration, restructuring and acquisition costs.

FINANCING ACTIVITIES

Fiscal 2019 change in cash flows arising from financing activities is mainly explained as follows:

	Three months ended			
	November 30, 2018	November 30, 2017	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Increase in bank indebtedness	**1,458**	25,160	(23,702)	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**114,162**	(8,461)	122,623	Increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019. Repayments of the revolving facilities in the first quarter of 2018 as a result of generated free cash flow.
Repayment of long-term debt	**(60,653)**	(6,989)	(53,664)	Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018.
Repayment of balance due on a business combination	**—**	(118)	118	
	54,967	9,592	45,375	

DIVIDENDS

During the first 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 first quarter of fiscal 2018.

6.4 DIVIDEND DECLARATION

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

7. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in three operating segments: Canadian broadband services, American broadband services and Business ICT 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				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	322,465	326,886	(1.4)	(1.4)	—
Operating expenses	159,326	153,415	3.9	3.6	409
Adjusted EBITDA	163,139	173,471	(6.0)	(5.7)	(409)
Adjusted EBITDA margin	50.6%	53.1%			
Acquisitions of property, plant and equipment	58,458	48,754	19.9	18.3	762
Capital intensity	18.1%	14.9%			

(1) For the three-month period ended November 30, 2018, the average foreign exchange rate used for translation was 1.3082 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 1.2552 USD/CDN.

REVENUE

Fiscal 2019 first-quarter revenue decreased by 1.4% (1.4% in constant currency) mainly as a result of:

- a higher decline in primary service units 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 late 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
- lower promotional pricing provided to customers.

OPERATING EXPENSES

Fiscal 2019 first-quarter operating expenses increased by 3.9% (3.6% in constant currency) mainly attributable to:

- additional costs of $4.5 million 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 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.

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA decreased by 6.0% (5.7% in constant currency) as a result of a decline in revenue mainly due to the timing of price increases, combined with higher operating expenses mainly due to retroactive costs of $3.2 million related to new rates published by the Copyright Board of Canada and $4.5 million in additional costs to support the stabilization phase of the new advanced customer management system.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 19.9% (18.3% in constant currency) resulting from:

- additional investments to improve the network infrastructure; and
- higher purchases of customer premise equipment.

Fiscal 2019 first-quarter capital intensity reached 18.1% compared to 14.9% for the same period of the prior year as a result of capital expenditures growth combined with revenue decline.

CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration(1)(2)	
	November 30, 2018	**November 30, 2018**	November 30, 2017	**November 30, 2018**	November 30, 2017
Primary service units(1)	**1,831,628**	**(35,290)**	(1,129)		
Internet service customers	**778,996**	**(3,281)**	9,565	**44.4**	44.9
Video service customers	**675,699**	**(13,069)**	(5,032)	**38.5**	41.2
Telephony service customers(1)	**376,933**	**(18,940)**	(5,662)	**21.5**	24.5

(1) In the second quarter of fiscal 2018, telephony service customers have been adjusted upwards retroactively as a result of a change in reporting business customers and consequently, primary service units and penetration rates prior to that period have also been adjusted.

(2) 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 have returned to normal at the end of the first quarter of 2019.

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 first-quarter Internet service customers net losses stood at 3,281 compared to net additions of 9,565 for the same period of the prior year mainly due to:

- contact center congestion resulting from the implementation and stabilization of the new customer management system; and
- competitive offers in the industry; partly offset by
- the ongoing interest in high speed offerings;
- the increased demand from Internet resellers; and
- the sustained interest in bundle offers.

VIDEO

Fiscal 2019 first-quarter video service customers net losses stood at 13,069 compared to 5,032 for the same period of the prior year as a result of:

- contact center congestion resulting from the implementation and stabilization of the new customer management system;
- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- our customers' ongoing interest in video product offering, including TiVo's digital advanced video services; and
- bundles with fast Internet offerings.

TELEPHONY

Fiscal 2019 first-quarter telephony service customers net losses amounted to 18,940 compared to 5,662 for the same period of the prior year mainly 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; and
- 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.

DISTRIBUTION OF CUSTOMERS

At November 30, 2018, 69% (71% in 2017) 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 2017), 39% to two services (39% in 2017) and 30% to three services (32% in 2017).

7.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	254,208	157,400	61.5	55.0	10,273
Operating expenses	136,932	95,445	43.5	37.7	5,518
Adjusted EBITDA	117,276	61,955	89.3	81.6	4,755
Adjusted EBITDA margin	46.1%	39.4%			
Acquisitions of property, plant and equipment	42,099	35,697	17.9	13.3	1,659
Capital intensity	16.6%	22.7%			

(1) For the three-month period ended November 30, 2018, the average foreign exchange rate used for translation was 1.3082 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 1.2552 USD/CDN.

REVENUE

Fiscal 2019 first-quarter revenue increased by 61.5% (55.0% in constant currency) mainly as a result of:

- the MetroCast acquisition completed in the second quarter of fiscal 2018;
- rate increases implemented in August 2018;
- continued growth in Internet and telephony services customers;
- the FiberLight acquisition completed on October 3, 2018; partly offset by
- a decrease in video service customers.

Excluding the MetroCast and FiberLight acquisitions, revenue in constant currency increased by 5.8% for the first quarter of fiscal 2019.

OPERATING EXPENSES

Fiscal 2019 first-quarter operating expenses increased by 43.5% (37.7% in constant currency) mainly as a result of:

- MetroCast acquisition completed in the second quarter of fiscal 2018;
- higher costs related to growing demands for higher Internet capacity packages;
- the FiberLight acquisition; and
- programming rate increases; partly offset by
- the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma;
- additional costs incurred in fiscal 2018 to support the continued Florida expansion and in anticipation of the MetroCast acquisition; and
- lower marketing initiatives due to the timing of certain initiatives.

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA increased by 89.3% (81.6% in constant currency) mainly as a result of the MetroCast acquisition. Excluding the MetroCast and FiberLight acquisitions and the prior year's non-recurring costs related to hurricane Irma, adjusted EBITDA in constant currency increased by 11.8% for the first quarter of fiscal 2019.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 17.9% (13.3% in constant currency) mainly due to:

- additional capital expenditures related to the MetroCast acquisition; and
- additional capital expenditures related to the expansion in Florida.

Fiscal 2019 first-quarter capital intensity reached 16.6% compared to 22.7% for the same period of the prior year as a result of revenue growth exceeding capital expenditures growth.

CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration[1][2][3]	
	November 30, 2018	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017 [3]
Primary service units[1]	880,304	(4,161)	190		
Internet service customers	425,606	658	1,785	49.2	44.6
Video service customers	312,699	(4,553)	(2,965)	36.2	37.8
Telephony service customers[1]	141,999	(266)	1,370	16.4	17.0

(1) In the second quarter of fiscal 2018, telephony service customers have been adjusted upwards retroactively as a result of a change in reporting business customers and consequently, primary service units and penetration rates prior to that period have also been adjusted.

(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

Fiscal 2019 first-quarter Internet service customers net additions stood at 658 compared to 1,785 for the same period 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, which were added as part of the MetroCast acquisition.

VIDEO

Fiscal 2019 first-quarter video service customers net losses stood at 4,553 compared to 2,965 for the same period of the prior year mainly from:

- competitive offers in the industry;
- a changing video environment; and
- the seasonal disconnects from the Maine and New Hampshire areas, which were added as part of the MetroCast acquisition; party offset by
- additional connects from the Florida expansion; and
- our customers' ongoing interest in TiVo's digital advanced video services.

TELEPHONY

Fiscal 2019 first-quarter telephony service customers net losses stood at 266 compared to net additions of 1,370 for the same period of the prior year mainly as a result of a slower growth in the residential sector.

DISTRIBUTION OF CUSTOMERS

At November 30, 2018, 48% (55% in 2017) 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: 52% (45% in 2017) who subscribe to one service, 30% (35% in 2017) to two services and 18% (20% in 2017) to three services. The variation compared to the same period of the prior year is mainly due to MetroCast, acquired in the second quarter of fiscal 2018, which has a higher proportion of customers with one and two services.

7.3 BUSINESS ICT SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**67,666**	69,883	(3.2)	(5.0)	1,282
Operating expenses	**49,889**	50,120	(0.5)	(2.1)	829
Adjusted EBITDA	**17,777**	19,763	(10.0)	(12.3)	453
Adjusted EBITDA margin	**26.3%**	28.3%			
Acquisitions of property, plant and equipment	**11,908**	10,844	9.8	7.7	228
Capital intensity	**17.6%**	15.5%			

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

REVENUE

Fiscal 2019 first-quarter revenue decreased by 3.2% (5.0% in constant currency) primarily due to higher churn and continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

Fiscal 2019 first-quarter operating expenses decreased by 0.5% (2.1% in constant currency) mainly due to:

- lower facility costs as a result of cost saving initiatives; and
- lower marketing expenses due to the timing of certain initiatives.

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA decreased by 10.0% (12.3% in constant currency) as a result of a decline in revenue, partly offset by cost saving initiatives.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 9.8% (7.7% in constant currency) due to:

- additional investments to upgrade our network;
- costs to build a third pod in the Kirkland data centre facility to service customer needs;
- capital expenditures from the operational projects to optimize systems and processes; partly offset by
- lower purchase of equipments to serve customers.

Fiscal 2019 first-quarter capital intensity reached 17.6% compared to 15.5% for the same period of the prior year as a result of capital expenditure growth combined with revenue decline.

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)	November 30, 2018 $	August 31, 2018 (1) $	Change $	Explanations
Current assets				
Cash and cash equivalents	**70,893**	84,725	(13,832)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**100,469**	97,294	3,175	Mostly due to revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	**35,651**	24,976	10,675	Mostly related to income tax installments made during the first quarter of fiscal 2019 in the Canadian broadband services segment.
Prepaid expenses and other	**39,693**	29,473	10,220	Increase in prepayments for annual maintenance agreements.
Derivative financial instruments	**1,422**	1,330	92	Non significant.
	248,128	237,798	10,330	
Current liabilities				
Bank indebtedness	**7,407**	5,949	1,458	Non significant.
Trade and other payables	**213,154**	302,806	(89,652)	Timing of payments made to suppliers.
Provisions	**26,454**	25,887	567	Non significant.
Income tax liabilities	**12,722**	16,133	(3,411)	Related to the payment of income taxes installments during the first quarter of fiscal 2019.
Contract liabilities and other liabilities	**64,953**	59,656	5,297	Mostly related to the appreciation of the US dollar against the Canadian dollar.
Balance due on a business combination	**5,187**	—	5,187	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	**22,612**	77,188	(54,576)	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.
	352,489	487,619	(135,130)	
Working capital deficiency	**(104,361)**	(249,821)	145,460	

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

8.2 OTHER SIGNIFICANT CHANGES

	November 30, 2018	August 31, 2018 (1)	Change	Explanations
(in thousands of dollars)	$	$	$	
Non-current assets				
Property, plant and equipment	2,375,314	2,323,678	51,636	Mostly related to the FiberLight acquisition and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	2,944,453	2,927,388	17,065	Appreciation of the US dollar against the Canadian dollar, partly offset by amortization expense.
Goodwill	1,634,327	1,608,446	25,881	Appreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	3,950,769	3,781,020	169,749	Increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019 combined with the appreciation of the US dollar against the Canadian dollar.
Deferred tax liabilities	564,007	554,884	9,123	Mostly related to the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest	347,925	336,442	11,483	Mostly related to 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.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at December 31, 2018 is presented in the table below. Additional details are provided in note 12 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	33,896,440	938,342
Options to purchase subordinate voting shares		
Outstanding options	990,487	
Exercisable options	410,102	

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.

At November 30, 2018, the Corporation had used $558.4 million of its $800 million Term Revolving Facility for a remaining availability of $241.6 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $199.5 million (US$150 million), of which $9.5 million (US$7.1 million) was used at November 30, 2018 for a remaining availability of $190.0 million (US$142.9 million).

8.5 CREDIT RATINGS

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

At November 30, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	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 November 30, 2018, 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 November 30, 2018:

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 $12.4 million based on the outstanding debt at November 30, 2018.

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 $13.9 million based on the outstanding debt at November 30, 2018.

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 November 30, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$703 million	US$983.6 million	Net investments in foreign operations in US dollar
N/A	£—	£23.8 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 November 30, 2018 was $1.3301 ($1.3055 at August 31, 2018) per US dollar and $1.6964 ($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 $41.4 million.

8.7 FOREIGN CURRENCY

For the three-month period ended November 30, 2018, the average rates prevailing used to convert the operating results of the American broadband services and a portion of the Business ICT services segments were as follows:

	Three months ended			
	November 30, 2018	November 30, 2017	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	**1.3082**	1.2552	0.05	4.2
British Pound vs Canadian dollar	**1.6997**	1.6638	0.04	2.2

The following table highlights in Canadian dollars, the impact of depreciations of $0.05 and $0.04 of the Canadian dollar against the US dollar and the British Pound on Cogeco Communications' segmented and consolidated operating results for the three-month period ended November 30, 2018:

	Canadian broadband services	American broadband services	Business ICT services	Consolidated (1)
Three months ended November 30, 2018	Exchange rate impact	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	$	$	$	$
Revenue	—	10,273	1,282	11,555
Operating expenses	409	5,518	829	6,763
Management fees - Cogeco Inc.				—
Adjusted EBITDA	(409)	4,755	453	4,792
Acquisitions of property, plant and equipment	762	1,659	228	2,649
Free cash flow				727

(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. 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 November 30, 2018, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2018.

10. 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. There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2018.

11. ACCOUNTING POLICIES

11.1 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 period ended November 30, 2017, 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.

12. 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 add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
		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 period denominated in US dollars and GBP currency at the foreign exchange rates of the comparable period of the prior year. The average foreign exchange rates during the three-month period ended November 30, 2017 were 1.2552 USD/CDN and 1.6638 GBP/CDN.	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

12.1 FREE CASH FLOW RECONCILIATION

	Three months ended	
	November 30, 2018	November 30, 2017 (1)
(in thousands of dollars)	$	$
Cash flow from operating activities	**107,656**	5,404
Amortization of deferred transaction costs and discounts on long-term debt	2,138	2,167
Changes in non-cash operating activities	103,297	105,882
Income taxes paid	26,136	96,208
Current income taxes	(12,098)	(22,610)
Financial expense paid	45,176	40,174
Financial expense	(45,949)	(29,482)
Acquisition of property, plant and equipment	(112,465)	(95,295)
Free cash flow	**113,891**	102,448

(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.

12.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

	Three months ended	
	November 30, 2018	November 30, 2017 (1)
(in thousands of dollars, except percentages)	$	$
Profit for the period	**75,184**	76,386
Income taxes	16,784	24,825
Financial expense	45,949	29,482
Depreciation and amortization	141,913	115,682
Integration, restructuring and acquisition costs	5,713	392
Adjusted EBITDA	**285,543**	246,767
Revenue	643,331	553,276
Adjusted EBITDA margin	**44.4%**	44.6%

(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.

12.3 CAPITAL INTENSITY RECONCILIATION

	Three months ended	
	November 30, 2018	November 30, 2017 (1)
(in thousands of dollars, except percentages)	$	$
Acquisition of property, plant and equipment	112,465	95,295
Revenue	643,331	553,276
Capital intensity	**17.5%**	17.2%

(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.

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	November 30,		August 31,		May 31,		February 28,	
(in thousands of dollars, except percentages and per share data)	**2018**	2017[1]	2018[1]	2017	2018[1]	2017	2018[1]	2017
	$	$	$	$	$	$	$	$
Revenue	**643,331**	553,276	634,013	551,728	637,065	565,158	599,002	560,875
Adjusted EBITDA	**285,543**	246,767	283,637	247,195	286,994	254,233	267,827	253,839
Adjusted EBITDA margin	**44.4%**	44.6%	44.7%	44.8%	45.0%	45.0%	44.7%	45.3%
Integration, restructuring and acquisition costs	**5,713**	392	1,677	3,191	2,260	—	15,999	—
Profit for the period	**75,184**	76,386	74,818	71,335	65,160	76,203	143,833	76,663
Profit for the period attributable to owners of the Corporation	**70,170**	76,386	71,701	71,335	61,825	76,203	140,921	76,663
Cash flow from operating activities	**107,656**	5,404	283,991	345,957	185,748	241,689	211,325	245,550
Acquisitions of property, plant and equipment	**112,465**	95,295	178,066	145,162	110,508	100,202	124,075	86,199
Free cash flow	**113,891**	102,448	54,330	50,841	109,604	104,728	66,950	116,787
Capital intensity	**17.5%**	17.2%	28.1%	26.3%	17.3%	17.7%	20.7%	15.4%
Earnings per share[2]								
Basic	**1.42**	1.55	1.45	1.45	1.25	1.55	2.86	1.56
Diluted	**1.41**	1.53	1.44	1.44	1.24	1.54	2.83	1.55
Dividends per share	**0.525**	0.475	0.475	0.43	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) Per multiple and subordinate voting share.

13.1 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.

14. ADDITIONAL INFORMATION

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

/s/ Louis Audet
Louis Audet
Executive Chairman of the Board

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

Cogeco Communications Inc.
Montréal, Québec
January 10, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2018

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

		Three months ended November 30,	
	Notes	**2018**	2017
(In thousands of Canadian dollars, except per share data)		**$**	$
			(restated, Note 2)
Revenue	*3*	**643,331**	553,276
Operating expenses	*6*	**352,993**	301,781
Management fees – Cogeco Inc.	*17*	**4,795**	4,728
Integration, restructuring and acquisition costs	*4*	**5,713**	392
Depreciation and amortization	*7*	**141,913**	115,682
Financial expense	*8*	**45,949**	29,482
Profit before income taxes		**91,968**	101,211
Income taxes	*9*	**16,784**	24,825
Profit for the period		**75,184**	76,386
Profit for the period attributable to:			
Owners of the Corporation		**70,170**	76,386
Non-controlling interest		**5,014**	—
		75,184	76,386
Earnings per share			
Basic	*10*	**1.42**	1.55
Diluted	*10*	**1.41**	1.53

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

	Three months ended November 30,	
	2018	2017
(In thousands of Canadian dollars)	$	$
		(restated, Note 2)
Profit for the period	75,184	76,386
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	2,733	4,007
Related income taxes	(725)	(983)
	2,008	3,024
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	32,083	23,376
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	(17,271)	(16,608)
Related income taxes	—	304
	14,812	7,072
	16,820	10,096
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability or asset	(1,082)	1,007
Related income taxes	287	(267)
	(795)	740
	16,025	10,836
Comprehensive income for the period	91,209	87,222
Comprehensive income for the period attributable to:		
Owners of the Corporation	79,726	87,222
Non-controlling interest	11,483	—
	91,209	87,222

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 12)		*(restated, Note 2) (Note 13)*	*(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	—	—	—	76,386	—	76,386
Other comprehensive income for the period	—	—	10,096	740	—	10,836
Comprehensive income for the period	—	—	10,096	77,126	—	87,222
Issuance of subordinate voting shares under the Stock Option Plan	2,556	—	—	—	—	2,556
Share-based payment	—	1,665	—	—	—	1,665
Share-based payment previously recorded in share-based payment reserve for options exercised	409	(409)	—	—	—	—
Dividends (Note 12 C))	—	—	—	(23,448)	—	(23,448)
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	3,920	(3,838)	—	(82)	—	—
Total distributions to shareholders	(2,467)	(2,582)	—	(23,530)	—	(28,579)
Balance at November 30, 2017	1,015,169	10,504	86,731	571,377	—	1,683,781
Balance at August 31, 2018	**1,017,172**	**15,260**	**113,774**	**850,963**	**336,442**	**2,333,611**
Profit for the period	**—**	**—**	**—**	**70,170**	**5,014**	**75,184**
Other comprehensive income (loss) for the period	**—**	**—**	**10,351**	**(795)**	**6,469**	**16,025**
Comprehensive income for the period	**—**	**—**	**10,351**	**69,375**	**11,483**	**91,209**
Issuance of subordinate voting shares under the Stock Option Plan	**544**	**—**	**—**	**—**	**—**	**544**
Share-based payment	**—**	**1,767**	**—**	**—**	**—**	**1,767**
Share-based payment previously recorded in share-based payment reserve for options exercised	**147**	**(147)**	**—**	**—**	**—**	**—**
Dividends (Note 12 C))	**—**	**—**	**—**	**(25,921)**	**—**	**(25,921)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,643**	**(3,327)**	**—**	**(316)**	**—**	**—**
Total contributions by (distributions to) shareholders	**4,334**	**(1,707)**	**—**	**(26,237)**	**—**	**(23,610)**
Balance at November 30, 2018	**1,021,506**	**13,553**	**124,125**	**894,101**	**347,925**	**2,401,210**

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

(In thousands of Canadian dollars)	*Notes*	**November 30, 2018** $	August 31, 2018 $	September 1, 2017 $
			(restated, Note 2)	*(restated, Note 2)*
Assets				
Current				
Cash and cash equivalents		**70,893**	84,725	211,185
Short-term investments		**—**	—	54,000
Trade and other receivables		**100,469**	97,294	90,387
Income taxes receivable		**35,651**	24,976	4,210
Prepaid expenses and other		**39,693**	29,473	20,763
Derivative financial instruments		**1,422**	1,330	98
		248,128	237,798	380,643
Non-current				
Other assets		**44,715**	42,677	35,934
Property, plant and equipment		**2,375,314**	2,323,678	1,970,862
Intangible assets		**2,944,453**	2,927,388	1,936,765
Goodwill		**1,634,327**	1,608,446	1,023,424
Derivative financial instruments		**36,644**	33,797	759
Pension plan assets		**—**	594	—
Deferred tax assets		**5,285**	5,665	10,918
		7,288,866	7,180,043	5,359,305
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness		**7,407**	5,949	3,801
Trade and other payables		**213,154**	302,806	316,762
Provisions		**26,454**	25,887	23,010
Income tax liabilities		**12,722**	16,133	103,649
Contract liabilities and other liabilities		**64,953**	59,656	76,667
Balance due on a business combination		**5,187**	—	118
Derivative financial instruments		**—**	—	192
Current portion of long-term debt	*11*	**22,612**	77,188	131,915
		352,489	487,619	656,114
Non-current				
Long-term debt	*11*	**3,950,769**	3,781,020	2,444,518
Contract liabilities and other liabilities		**16,871**	20,125	12,992
Pension plan liabilities and accrued employee benefits		**3,520**	2,784	4,934
Deferred tax liabilities		**564,007**	554,884	615,609
		4,887,656	4,846,432	3,734,167
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	*12 B)*	**1,021,506**	1,017,172	1,017,636
Share-based payment reserve		**13,553**	15,260	13,086
Accumulated other comprehensive income	*13*	**124,125**	113,774	76,635
Retained earnings		**894,101**	850,963	517,781
		2,053,285	1,997,169	1,625,138
Equity attributable to non-controlling interest		**347,925**	336,442	—
		2,401,210	2,333,611	1,625,138
		7,288,866	7,180,043	5,359,305

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

		Three months ended November 30,	
	Notes	**2018**	2017
(In thousands of Canadian dollars)		**$**	$
			(restated, Note 2)
Cash flow from operating activities			
Profit for the period		**75,184**	76,386
Adjustments for:			
Depreciation and amortization	*7*	**141,913**	115,682
Financial expense	*8*	**45,949**	29,482
Income taxes	*9*	**16,784**	24,825
Share-based payment	*12 D)*	**1,703**	1,793
Loss on disposals and write-offs of property, plant and equipment		**421**	365
Defined benefit plans contributions, net of expense		**311**	(865)
		282,265	247,668
Changes in non-cash operating activities	*14 A)*	**(103,297)**	(105,882)
Financial expense paid		**(45,176)**	(40,174)
Income taxes paid		**(26,136)**	(96,208)
		107,656	5,404
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(112,465)**	(95,295)
Redemption of a short-term investment		**—**	20,000
Business combination	*5*	**(38,876)**	—
Proceeds on disposals of property, plant and equipment		**364**	560
		(150,977)	(74,735)
Cash flow from financing activities			
Increase in bank indebtedness		**1,458**	25,160
Net increase (decrease) under the revolving facilities		**114,162**	(8,461)
Repayments of long-term debt		**(60,653)**	(6,989)
Repayment of balance due on a business combination		**—**	(118)
Issuance of subordinate voting shares	*12 B)*	**544**	2,556
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*12 B)*	**—**	(9,352)
Dividends paid on multiple voting shares	*12 C)*	**(8,238)**	(7,453)
Dividends paid on subordinate voting shares	*12 C)*	**(17,683)**	(15,995)
		29,590	(20,652)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(101)**	1,038
Net change in cash and cash equivalents		**(13,832)**	(88,945)
Cash and cash equivalents, beginning of the period		**84,725**	211,185
Cash and cash equivalents, end of the period		**70,893**	122,240

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.

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 presentation adopted for the three-month period ended November 30, 2018, and to reflect the retrospective application of the newly adopted accounting policies. 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 January 10, 2019.

2. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

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

IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three-month period ended November 30, 2017, 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 November 30, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	553,625	(349)	—	553,276
Operating expenses	301,415	1,621	(1,255)	301,781
Management fees – Cogeco Inc.	4,728	—	—	4,728
Integration, restructuring and acquisition costs	392	—	—	392
Depreciation and amortization	116,310	(1,972)	1,344	115,682
Financial expense	29,482	—	—	29,482
Profit before income taxes	101,298	2	(89)	101,211
Income taxes	24,829	20	(24)	24,825
Profit for the period	76,469	(18)	(65)	76,386
Profit for the period attributable to:				
Owners of the Corporation	76,469	(18)	(65)	76,386
Non-controlling interest	—	—	—	—
	76,469	(18)	(65)	76,386
Earnings per share				
Basic	1.55	—	—	1.55
Diluted	1.54	—	(0.01)	1.53

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	2,423,549	(193)	—	2,423,356
Operating expenses	1,318,603	5,046	(4,479)	1,319,170
Management fees – Cogeco Inc.	18,961	—	—	18,961
Integration, restructuring and acquisition costs	20,328	—	—	20,328
Depreciation and amortization	533,154	(8,492)	4,883	529,545
Financial expense	182,554	—	—	182,554
Profit before income taxes	349,949	3,253	(404)	352,798
Income taxes	(6,392)	(1,129)	122	(7,399)
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 per share				
Basic	7.04	0.09	(0.01)	7.12
Diluted	6.98	0.09	(0.01)	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 November 30, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period	76,469	(18)	(65)	76,386
Adjustments for:				
Depreciation and amortization	116,310	(1,972)	1,344	115,682
Financial expense	29,482	—	—	29,482
Income taxes	24,829	20	(24)	24,825
Share-based payment	1,793	—	—	1,793
Loss on disposals and write-offs of property, plant and equipment	365	—	—	365
Defined benefit plans contributions, net of expense	(865)	—	—	(865)
	248,383	(1,970)	1,255	247,668
Changes in non-cash operating activities	(105,734)	(148)	—	(105,882)
Financial expense paid	(40,174)	—	—	(40,174)
Income taxes paid	(96,208)	—	—	(96,208)
	6,267	(2,118)	1,255	5,404
Cash flow from investing activities				
Acquisition of property, plant and equipment	(91,325)	361	(4,331)	(95,295)
Acquisition of intangible and other assets	(4,833)	1,757	3,076	—
Redemption of a short-term investment	20,000	—	—	20,000
Proceeds on disposals of property, plant and equipment	560	—	—	560
	(75,598)	2,118	(1,255)	(74,735)
Cash flow from financing activities				
Increase in bank indebtedness	25,160	—	—	25,160
Net decrease under the revolving facilities	(8,461)	—	—	(8,461)
Repayments of long-term debt	(6,989)	—	—	(6,989)
Repayment of balance due on a business combination	(118)	—	—	(118)
Issuance of subordinate voting shares	2,556	—	—	2,556
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	(7,453)	—	—	(7,453)
Dividends paid on subordinate voting shares	(15,995)	—	—	(15,995)
	(20,652)	—	—	(20,652)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1,038	—	—	1,038
Net change in cash and cash equivalents	(88,945)	—	—	(88,945)
Cash and cash equivalents, beginning of the period	211,185	—	—	211,185
Cash and cash equivalents, end of the period	122,240	—	—	122,240

(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	356,341	4,382	(526)	360,197
Adjustments for:				
Depreciation and amortization	533,154	(8,492)	4,883	529,545
Financial expense	182,554	—	—	182,554
Income taxes	(6,392)	(1,129)	122	(7,399)
Share-based payment	6,772	—	—	6,772
Loss on disposals and write-offs of property, plant and equipment	1,289	—	—	1,289
Defined benefit plans contributions, net of expense	(515)	—	—	(515)
	1,073,203	(5,239)	4,479	1,072,443
Changes in non-cash operating activities	(25,449)	(6,872)	—	(32,321)
Financial expense paid	(177,922)	—	—	(177,922)
Income taxes paid	(175,732)	—	—	(175,732)
	694,100	(12,111)	4,479	686,468
Cash flow from investing activities				
Acquisition of property, plant and equipment	(495,290)	3,631	(16,285)	(507,944)
Acquisition of intangible and other assets	(20,286)	8,480	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	2,027	—	—	2,027
	(2,248,790)	12,111	(4,479)	(2,241,158)
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 foreign currencies	2,094	—	—	2,094
Net change in cash and cash equivalents	(126,460)	—	—	(126,460)
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		Business ICT services		Inter-segment elimination		Consolidated	
Three months ended November 30,	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$	$	$
Revenue from customers										
Residential (1)	**290,157**	295,044	**217,492**	133,766	**—**	—	**—**	—	**507,649**	428,810
Commercial (2)	**31,329**	30,007	**29,427**	18,607	**67,453**	69,736	**—**	—	**128,209**	118,350
Other (3)	**184**	1,107	**7,289**	5,009	**—**	—	**—**	—	**7,473**	6,116
	321,670	326,158	**254,208**	157,382	**67,453**	69,736	**—**	—	**643,331**	553,276
Inter-segment revenue	**795**	728	**—**	18	**213**	147	**(1,008)**	(893)	**—**	—
Revenue	**322,465**	326,886	**254,208**	157,400	**67,666**	69,883	**(1,008)**	(893)	**643,331**	553,276

(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 for the Canadian and American broadband services segments and colocation, network connectivity, hosting, cloud and managed services customers for the Business ICT services segment.
(3) Includes advertising revenue, late fees, rental income and other miscellaneous revenue.

4. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in three operating segments: Canadian broadband services, American broadband services and Business information and communications technology ("Business ICT") 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 Business ICT services segment provides colocation, network connectivity, hosting, cloud and an extensive portfolio of managed services primarily in Canada, the United States and Europe to small, medium and large enterprises around the globe. Cogeco Peer 1 provides these services in key vertical markets including: Internet/media, artificial intelligence, technology, financial services, public sector, on-line retail, education, health services and online gaming. The primary activities of the Business ICT services segment are carried out by Cogeco Peer 1 across Canada (British Columbia, Ontario and Québec), the United States (California, Texas, Virginia, Florida, New York and Georgia) and Europe (London, Southampton and Portsmouth, United Kingdom and France). Cogeco Peer 1 has more than 50 points of presence, including in France, Germany, the Netherlands and Mexico.

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 November 30, 2018
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	322,465	254,208	67,666	(1,008)	643,331
Operating expenses	159,326	136,932	49,889	6,846	352,993
Management fees – Cogeco Inc.	—	—	—	4,795	4,795
Segment profit (loss)	163,139	117,276	17,777	(12,649)	285,543
Integration, restructuring and acquisition costs (2)	5,443	270	—	—	5,713
Depreciation and amortization	62,897	56,812	22,176	28	141,913
Financial expense					45,949
Profit before income taxes					91,968
Income taxes					16,784
Profit for the period					75,184
Property, plant and equipment	1,131,603	881,795	361,778	138	2,375,314
Intangible assets	999,207	1,891,646	53,600	—	2,944,453
Goodwill	4,662	1,357,896	271,769	—	1,634,327
Acquisition of property, plant and equipment	58,458	42,099	11,908	—	112,465

(1) Revenue by geographic market includes $362,365 in Canada, $272,933 in the United States and $8,033 in Europe.

(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 November 30, 2017
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
	(restated, Note 2)	*(restated, Note 2)*	*(restated, Note 2)*		*(restated, Note 2)*
Revenue (1)	326,886	157,400	69,883	(893)	553,276
Operating expenses	153,415	95,445	50,120	2,801	301,781
Management fees – Cogeco Inc.	—	—	—	4,728	4,728
Segment profit (loss)	173,471	61,955	19,763	(8,422)	246,767
Integration, restructuring and acquisition costs (2)	—	392	—	—	392
Depreciation and amortization	58,405	33,127	24,075	75	115,682
Financial expense					29,482
Profit before income taxes					101,211
Income taxes					24,825
Profit for the period					76,386
Property, plant and equipment (3)	1,135,404	821,080	367,030	164	2,323,678
Intangible assets (3)	1,000,177	1,869,626	57,585	—	2,927,388
Goodwill (3)	4,662	1,332,781	271,003	—	1,608,446
Acquisition of property, plant and equipment	48,754	35,697	10,844	—	95,295

(1) Revenue by geographic market includes $368,630 in Canada, $177,122 in the United States and $7,524 in Europe.

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

(3) At August 31, 2018.

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

The following tables set out certain geographic market information at November 30, 2018 and August 31, 2018:

	Canada	United States	Europe	At November 30, 2018 Total
	$	$	$	$
Property, plant and equipment	1,430,391	919,598	25,325	2,375,314
Intangible assets	1,037,901	1,906,172	380	2,944,453
Goodwill	221,867	1,397,844	14,616	1,634,327

	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

FiberLight LLC

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC an industry leader in providing high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 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 November 30, 2018
	$
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. OPERATING EXPENSES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Salaries, employee benefits and outsourced services	**105,905**	89,701
Service delivery costs [1]	**189,741**	162,465
Customer related costs [2]	**22,110**	18,755
Other external purchases [3]	**35,237**	30,860
	352,993	301,781

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, 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.

7. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Depreciation of property, plant and equipment	**123,690**	105,072
Amortization of intangible assets	**18,223**	10,610
	141,913	115,682

8. FINANCIAL EXPENSE

	Three months ended November 30,	
	2018	2017
	$	$
Interest on long-term debt	**45,383**	30,035
Net foreign exchange gains	**(470)**	(958)
Amortization of deferred transaction costs	**441**	616
Capitalized borrowing costs [1]	**(120)**	(866)
Other	**715**	655
	45,949	29,482

(1) For the three-month periods ended November 30, 2018 and 2017, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

9. INCOME TAXES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Current	**12,098**	22,610
Deferred	**4,686**	2,215
	16,784	24,825

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 November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Profit before income taxes	**91,968**	101,211
Combined Canadian income tax rate	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**24,372**	26,821
Adjustment for losses or profit subject to lower or higher tax rates	**997**	1,808
Revaluation of deferred tax assets	**(490)**	201
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**—**	(158)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**33**	(130)
Tax impacts related to foreign operations	**(6,761)**	(4,045)
Other	**(1,367)**	328
Income taxes at effective income tax rate	**16,784**	24,825

10. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Profit for the period attributable to owners of the Corporation	**70,170**	76,386
Weighted average number of multiple and subordinate voting shares outstanding	**49,340,673**	49,288,155
Effect of dilutive stock options (1)	**74,006**	247,399
Effect of dilutive incentive share units	**105,976**	103,524
Effect of dilutive performance share units	**135,626**	124,655
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,656,281**	49,763,733
Earnings per share		
Basic	**1.42**	1.55
Diluted	**1.41**	1.53

(1) For the three-month period ended November 30, 2018, 561,160 stock options (none in 2017) 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)

11. LONG-TERM DEBT

	Maturity	Interest rate		November 30, 2018	August 31, 2018
		%		$	$
Corporation					
Term Revolving Facility [1]					
Canadian Revolving Facility					
Revolving loan	January 2023	4.40	[4]	65,000	—
Revolving loan – US$363 million (US$310 million at August 31, 2018) [2]	January 2023	3.84	[4]	482,826	404,705
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,159	32,540
Series B - US$150 million	September 2026	4.29		198,883	195,176
Senior Secured Notes Series B [3]		—		—	54,994
Senior Secured Notes - US$215 million	June 2025	4.30		285,031	279,711
Senior Secured Debentures Series 2	November 2020	5.15		199,594	199,544
Senior Secured Debentures Series 3	February 2022	4.93		199,305	199,255
Senior Secured Debentures Series 4	May 2023	4.18		298,460	298,381
Subsidiaries					
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,691.5 million (US$1,695.8 million at August 31, 2018)	January 2025	4.72	[4] [5]	2,204,472	2,167,792
Senior Secured Revolving Facility - US$5 million (US$20 million at August 31, 2018)	January 2023	4.72	[4]	6,651	26,110
				3,973,381	3,858,208
Less current portion				22,612	77,188
				3,950,769	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$50 million drawn under the Revolving loan facility has been hedged until January 8, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $66.3 million and the effective interest rate on the Canadian dollar equivalent at 3.0%.

(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 4.52%.

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

12. 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

	November 30, 2018	August 31, 2018
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,889,320 subordinate voting shares (33,874,114 at August 31, 2018)	937,917	937,226
	1,036,263	1,035,572
85,652 subordinate voting shares held in trust under the Incentive Share Unit Plan (111,717 at August 31, 2018)	(5,803)	(7,569)
118,527 subordinate voting shares held in trust under the Performance Share Unit Plan (143,377 at August 31, 2018)	(8,954)	(10,831)
	1,021,506	1,017,172

During the first three 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	15,206	544
Share-based payment previously recorded in share-based payment reserve for options exercised	—	147
Balance at November 30, 2018	33,889,320	937,917

During the first three 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	(26,065)	(1,766)
Balance at November 30, 2018	85,652	5,803

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

During the first three 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	(24,850)	(1,877)
Balance at November 30, 2018	**118,527**	**8,954**

C) DIVIDENDS

For the three-month period ended November 30, 2018, a quarterly eligible dividend of $0.525 per share for a total of $25.9 million, was paid to the holders of multiple and subordinate voting shares, compared to a quarterly eligible dividend of $0.475 per share for a total of $23.4 million for the three-month period ended November 30, 2017.

	Three months ended November 30,	
	2018	2017
	$	$
Dividends on multiple voting shares	**8,238**	7,453
Dividends on subordinate voting shares	**17,683**	15,995
	25,921	23,448

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

D) SHARE-BASED PAYMENT PLANS

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

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2018:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2018	819,393	65.27
Granted (1)	199,450	65.23
Exercised (2)	(15,206)	35.80
Outstanding at November 30, 2018	**1,003,637**	**65.71**
Exercisable at November 30, 2018	**417,222**	**57.21**

(1) During the three-month period ended November 30, 2018, 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 $64.60.

A compensation expense of $259,000 ($235,000 in 2017) was recorded for the three-month period ended November 30, 2018 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 three-month period ended November 30, 2018 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 November 30, 2018:

Outstanding at August 31, 2018	105,475
Granted	37,300
Distributed	(26,065)
Cancelled	(3,185)
Outstanding at November 30, 2018	**113,525**

A compensation expense of $554,000 ($514,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at November 30, 2018:

Outstanding at August 31, 2018	133,181
Granted (1)	45,175
Performance-based additional units granted	200
Distributed	(24,850)
Cancelled	(2,626)
Dividend equivalents	1,253
Outstanding at November 30, 2018	**152,333**

(1) During the three-month period ended November 30, 2018, the Corporation granted 14,625 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $441,000 ($487,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2018:

Outstanding at August 31, 2018	42,607
Dividend equivalents	352
Outstanding at November 30, 2018	**42,959**

A compensation expense reduction of $324,000 (compensation expense of $128,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to this plan.

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

13. 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	3,024	7,072	10,096
Balance at November 30, 2017	3,462	83,269	86,731
Balance at August 31, 2018	**25,818**	**87,956**	**113,774**
Other comprehensive income	**2,008**	**8,343**	**10,351**
Balance at November 30, 2018	**27,826**	**96,299**	**124,125**

14. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Trade and other receivables	**(1,218)**	(1,752)
Prepaid expenses and other	**(11,082)**	(9,995)
Other assets	**(508)**	(164)
Trade and other payables	**(89,065)**	(96,335)
Provisions	**556**	110
Contract liabilities and other liabilities	**(1,980)**	2,254
	(103,297)	(105,882)

(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	25,160	—	—	25,160
Net decrease under the revolving facilities	—	—	(8,461)	(8,461)
Repayment of long-term debt	—	—	(6,989)	(6,989)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	25,160	(118)	(15,450)	9,592
Effect of changes in foreign exchange rates	—	—	48,467	48,467
Amortization of discounts and transaction costs	—	—	1,552	1,552
Total non-cash changes	—	—	50,019	50,019
Balance at November 30, 2017	28,961	—	2,611,002	2,639,963
Balance at August 31, 2018	5,949	—	3,858,208	3,864,157
Increase in bank indebtedness	1,458	—	—	1,458
Net increase under the revolving facilities	—	—	114,162	114,162
Repayment of long-term debt	—	—	(60,653)	(60,653)
Balance due on a business combination	—	5,005	—	5,005
Total cash flows from (used in) financing activities excluding equity	1,458	5,005	53,509	59,972
Effect of changes in foreign exchange rates	—	182	59,967	60,149
Amortization of discounts and transaction costs	—	—	1,697	1,697
Total non-cash changes	—	182	61,664	61,846
Balance at November 30, 2018	7,407	5,187	3,973,381	3,985,975

15. 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 November 30,	
	2018	2017
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	466	520
Administrative expense	77	63
Recognized in financial expense (other)		
Net interest	3	26
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	2,785	2,606
	3,331	3,215

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

16. 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 November 30, 2018, the Corporation had used $558.4 million of its $800 million Term Revolving Facility for a remaining availability of $241.6 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $199.5 million (US$150 million), of which $9.5 million (US$7.1 million) was used at November 30, 2018 for a remaining availability of $190 million (US $142.9 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 November 30, 2018, 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 November 30, 2018:

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 $12.4 million based on the outstanding debt at November 30, 2018.

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 $13.9 million based on the outstanding debt at November 30, 2018.

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 November 30, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$703 million	US$983.6 million	Net investments in foreign operations in US dollar
N/A	£—	£23.8 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 November 30, 2018 was $1.3301 ($1.3055 at August 31, 2018) per US dollar and $1.6964 ($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 $41.4 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:

	November 30, 2018		August 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**3,973,381**	**4,033,248**	3,858,208	3,941,543

C) CAPITAL MANAGEMENT

At November 30, 2018 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:

	November 30, 2018	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	**3.5**	3.5
Net indebtedness (3) / adjusted EBITDA (2)	**3.5**	3.5
Adjusted EBITDA (2) / financial expense (2)	**5.6**	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 November 30, 2018, which includes eleven 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.

17. 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 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-month period ended November 30, 2018, management fees paid to Cogeco amounted to $4.8 million, compared to $4.7 million for the same period of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the three-month period ended November 30, 2018, the Corporation granted 97,725 (124,625 in 2017) stock options, did not grant any ISUs (nil in 2017) and granted 14,625 (18,750 in 2017) PSUs to these executive officers as executive officers of Cogeco Communications. During the three-month period ended November 30, 2018, the Corporation charged Cogeco $298,000 ($194,000 in 2017), $15,000 ($1,000 in 2017) and $200,000 ($234,000 in 2017), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers. For the three-month period ended November 30, 2018, the Corporation charged Cogeco $260,000 for DSUs issued to Board directors of Cogeco.

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

CUSTOMER STATISTICS

	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2017
CONSOLIDATED					
Primary service units[1]	**2,711,932**	2,751,383	2,782,705	2,788,268	2,532,964
Internet service customers	**1,204,602**	1,207,225	1,207,262	1,199,201	1,054,346
Video service customers	**988,398**	1,006,020	1,019,852	1,029,901	948,778
Telephony service customers[1]	**518,932**	538,138	555,591	559,166	529,840
CANADA					
Primary service units[1]	**1,831,628**	1,866,918	1,901,037	1,914,178	1,919,939
Internet service customers	**778,996**	782,277	787,007	786,314	779,434
Penetration as a percentage of homes passed	**44.4%**	44.7%	45.0%	45.1%	44.9%
Video service customers	**675,699**	688,768	699,554	708,584	715,604
Penetration as a percentage of homes passed	**38.5%**	39.3%	40.0%	40.7%	41.2%
Telephony service customers[1]	**376,933**	395,873	414,476	419,280	424,901
Penetration as a percentage of homes passed[1]	**21.5%**	22.6%	23.7%	24.1%	24.5%
UNITED STATES					
Primary service units[1]	**880,304**	884,465	881,668	874,090	613,025
Internet service customers	**425,606**	424,948	420,255	412,887	274,912
Penetration as a percentage of homes passed[2]	**49.2%**	49.7%	49.8%	48.3%	44.6%
Video service customers	**312,699**	317,252	320,298	321,317	233,174
Penetration as a percentage of homes passed[2]	**36.2%**	37.1%	37.9%	37.6%	37.8%
Telephony service customers[1]	**141,999**	142,265	141,115	139,886	104,939
Penetration as a percentage of homes passed[1][2]	**16.4%**	16.6%	16.7%	16.4%	17.0%

(1) In the second quarter of fiscal 2018, telephony service customers have been adjusted upwards retroactively as a result of a change in reporting business customers and consequently, primary service units and penetration rates prior to that period have also been adjusted.

(2) 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.