COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three-month period ended November 30, 2019

FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2019	November 30, 2018	Change	Change in constant currency[1]	Foreign exchange impact[1]
(in thousands of dollars, except percentages and per share data)	**$**	$	%	%	$
Operations					
Revenue	**586,827**	576,673	1.8	1.3	2,836
Adjusted EBITDA	**282,105**	267,851	5.3	4.9	1,197
Adjusted EBITDA margin	**48.1%**	46.4%			
Integration, restructuring and acquisition costs[2]	**61**	5,713	(98.9)		
Profit for the period from continuing operations	**89,708**	78,806	13.8		
Loss for the period from discontinued operations	**—**	(3,622)	(100.0)		
Profit for the period	**89,708**	75,184	19.3		
Profit for the period from continuing operations attributable to owners of the Corporation	**84,178**	73,792	14.1		
Profit for the period attributable to owners of the Corporation	**84,178**	70,170	20.0		
Cash flow					
Cash flow from operating activities	**149,192**	98,996	50.7		
Acquisitions of property, plant and equipment[3]	**121,302**	100,557	20.6	19.7	914
Free cash flow	**102,844**	107,503	(4.3)	(4.3)	(51)
Capital intensity	**20.7%**	17.4%			
Financial condition[4]					
Cash and cash equivalents	**540,419**	556,504	(2.9)		
Total assets	**6,990,646**	6,951,079	0.6		
Indebtedness[5]	**3,499,200**	3,454,923	1.3		
Equity attributable to owners of the Corporation	**2,253,428**	2,199,789	2.4		
Per Share Data[6]					
Earnings (loss) per share					
Basic					
From continuing operations	**1.71**	1.50	14.0		
From discontinued operations	**—**	(0.07)	(100.0)		
From continuing and discontinued operations	**1.71**	1.42	20.4		
Diluted					
From continuing operations	**1.70**	1.49	14.1		
From discontinued operations	**—**	(0.07)	(100.0)		
From continuing and discontinued operations	**1.70**	1.41	20.6		
Dividends	**0.58**	0.525	10.5		

(1) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current period denominated in US dollars at the foreign exchange rate of the comparable period of the prior year. For the three-month period ended November 30, 2018, the average foreign exchange rate used for translation was 1.3082 USD/CDN.

(2) For the three-month period ended November 30, 2019, integration, restructuring and acquisition costs were mostly due to acquisition and integration costs in the American broadband services segment while those of the prior year were related to an operational optimization program in the Canadian broadband services segment and the FiberLight acquisition in the American broadband services segment.

(3) For the three-month period ended November 30, 2019, acquisitions of property, plant and equipment in constant currency amounted to $120.4 million.

(4) At November 30, 2019 and August 31, 2019.

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

(6) Per multiple and subordinate voting share.

COGECO COMMUNICATIONS

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

Three-month period ended November 30, 2019

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2020 Financial Guidelines" sections of the Corporation's 2019 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 2019 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

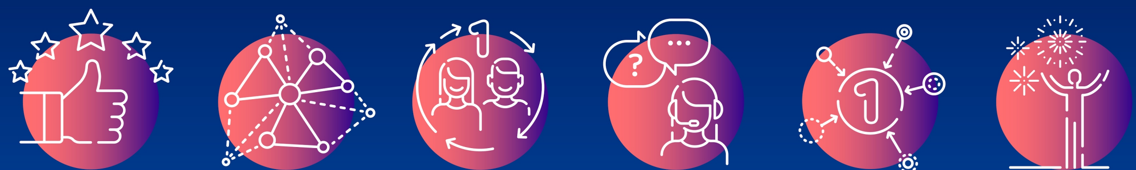
All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2019 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A in the Corporation's 2019 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") mission is to connect its customers to the digital world and create outstanding communication experiences. This mission is enabled by our core fundamental values of respect, trust, commitment to customer service, teamwork and innovation.

Our vision is to deliver value to our shareholders by: 1) creating an exceptional customer experience, 2) augmenting our geographical reach in Canada and the United States, 3) expanding into new market segments and 4) mobilizing highly engaged teams. The Corporation has defined six key strategic priorities that embody the roadmap to achieving our mission and vision. These strategic priorities are as follows:

STRATEGIC PRIORITIES



- Deliver an exceptional customer experience through continuous innovation of our service offering
- Grow our footprint and obtain our fair share of market in current segments
- Optimize our cost structure and operational effectiveness by exploiting group synergies facilitated through a highly collaborative culture
- Leverage our leadership and digital technologies in client relationship management
- Continue building a strong brand
- Deliver an exceptional employee experience

Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the key strategic priorities defined above. The key areas of focus of those strategic plans are as follows:

Canadian broadband services	American broadband services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Delivering exceptional customer experience while fostering team member engagement
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Leveraging Internet superiority and advanced video platform to promote growth and customer satisfaction
Exploring a potential wireless service in a profitable manner and within our financial means	Focusing on growth in the business market and continuing Florida expansion efforts while actively pursuing acquisition opportunities
Enabling business transformation through modern talent management practices that will provide meaningful and engaging employee experiences	Driving unit growth and customer satisfaction through product marketing and brand positioning

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].

(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.

2.1 KEY PERFORMANCE INDICATORS

REVENUE

Fiscal 2020 first-quarter revenue increased by 1.8% (1.3% in constant currency) resulting from:

- growth of 4.6% (3.5% in constant currency) in the American broadband services segment; partly offset by
- a decrease of 0.5% (0.5% in constant currency) in the Canadian broadband services segment.

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

ADJUSTED EBITDA

Fiscal 2020 first-quarter adjusted EBITDA increased by 5.3% (4.9% in constant currency) as a result of:

- an increase of 4.8% (4.9% in constant currency) in the Canadian broadband services segment mainly from a decline in operating expenses; and
- an increase of 3.7% (2.6% in constant currency) in the American broadband services segment mainly as a result of organic revenue growth.

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

FREE CASH FLOW

Fiscal 2020 first-quarter free cash flow decreased by 4.3% (4.3% in constant currency) mainly due to the following:

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

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 20.6% (19.7% in constant currency) resulting from increases of 28.5% (27.8% in constant currency) and 8.9% (7.7% in constant currency), respectively, in the Canadian and American broadband services segments.

Fiscal 2020 first-quarter capital intensity reached 20.7% compared to 17.4% for the same period of the prior year due to capital expenditures growth exceeding revenue growth.

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

FISCAL 2020 FINANCIAL GUIDELINES

Cogeco Communications maintained its fiscal 2020 financial guidelines as issued on October 30, 2019. Please consult the "Fiscal 2020 financial guidelines" section of the Corporation's 2019 Annual Report for further details.

3. BUSINESS DEVELOPMENTS

On January 10, 2020, the Corporation announced that its subsidiary Atlantic Broadband had signed a definitive agreement to purchase Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for US$50 million. The transaction is subject to customary regulatory approvals and is expected to close within three months. Upon closing of the transaction, Atlantic Broadband will add approximately 10,000 customers to its operations.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**586,827**	576,673	1.8	1.3	2,836
Operating expenses	**299,332**	304,027	(1.5)	(2.1)	1,639
Management fees – Cogeco Inc.	**5,390**	4,795	12.4	12.4	—
Adjusted EBITDA	**282,105**	267,851	5.3	4.9	1,197
Adjusted EBITDA margin	**48.1%**	46.4%			

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

REVENUE

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**320,807**	322,465	(0.5)	(0.5)	—
American broadband services	**266,020**	254,208	4.6	3.5	2,836
	586,827	576,673	1.8	1.3	2,836

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter revenue increased by 1.8% (1.3% in constant currency) resulting from organic growth in the American broadband services, partly offset by a decrease in the Canadian broadband 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, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**149,845**	159,326	(6.0)	(6.0)	107
American broadband services	**144,370**	136,932	5.4	4.3	1,531
Inter-segment eliminations and other	**5,117**	7,769	(34.1)	(34.1)	1
	299,332	304,027	(1.5)	(2.1)	1,639

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter operating expenses decreased by 1.5% (2.1% in constant currency) mainly from lower operating expenses in the Canadian broadband services segment combined with lower costs in Inter-segment eliminations and other resulting from the timing of corporate projects and initiatives, partly offset by higher operating expenses in the American broadband services segment.

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

MANAGEMENT FEES

Fiscal 2020 first-quarter management fees paid to Cogeco Inc. reached $5.4 million compared to $4.8 million for the same period of fiscal 2019. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**170,962**	163,139	4.8	4.9	(107)
American broadband services	**121,650**	117,276	3.7	2.6	1,305
Inter-segment eliminations and other	**(10,507)**	(12,564)	(16.4)	(16.4)	(1)
	282,105	267,851	5.3	4.9	1,197

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter adjusted EBITDA increased by 5.3% (4.9% in constant currency) as a result of:

- an increase in the Canadian broadband services segment resulting from a decline in operating expenses;
- an increase in the American broadband services segment mainly as a result of organic revenue growth; and
- a decrease in Inter-segment eliminations and other resulting from a decline in operation expenses.

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 2020 first-quarter integration, restructuring and acquisition costs amounted to $0.1 million. Fiscal 2019 first-quarter integration, restructuring and acquisition costs amounted to $5.7 million mostly due to restructuring costs incurred in the Canadian broadband services segment in relation to an operational optimization program. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed at creating a leaner, more efficient and agile organization pursuant to its digital transformation. In addition, acquisition and integration costs were incurred by the American broadband services segment in the first quarter of fiscal 2019 related to the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition").

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation of property, plant and equipment(1)	**108,827**	105,773	2.9
Amortization of intangible assets	**14,308**	13,964	2.5
	123,135	119,737	2.8

(1) The depreciation of right-of-use assets amounted to $1.6 million for the three-month period ended November 30, 2019.

Fiscal 2020 first-quarter depreciation and amortization expense increased by 2.8% due to additional depreciation from the acquisitions of property, plant and equipment during the quarter and the impact of IFRS 16 adoption combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Interest on long-term debt, excluding interest on lease liabilities	**40,079**	45,383	(11.7)
Interest on lease liabilities	**381**	—	—
Net foreign exchange losses	**20**	223	(91.0)
Amortization of deferred transaction costs	**464**	441	5.2
Capitalized borrowing costs	**(151)**	(120)	25.8
Other	**(1,523)**	632	—
	39,270	46,559	(15.7)

Fiscal 2020 first-quarter financial expense decreased by 15.7% mainly due to:

- lower debt outstanding under the Canadian Revolving Facility following the sale of Cogeco Peer 1 in fiscal 2019;
- lower debt outstanding and interest rates on the First Lien Credit Facilities; and
- interest revenue resulting from investments of excess cash; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.5 INCOME TAXES

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Current	**23,597**	12,032	96.1
Deferred	**6,334**	5,004	26.6
	29,931	17,036	75.7

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Profit before income taxes	**119,639**	95,842	24.8
Combined Canadian income tax rate	**26.5%**	26.5%	—
Income taxes at combined Canadian income tax rate	**31,704**	25,398	24.8
Difference in operations' statutory income tax rates	**707**	815	(13.3)
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**23**	—	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(229)**	13	—
Tax impacts related to foreign operations	**(6,510)**	(6,761)	(3.7)
Other	**4,236**	(2,429)	—
	29,931	17,036	75.7

Fiscal 2020 first-quarter income taxes expense increased by 75.7% mainly attributable to:

- the increase in profit before income taxes in both the Canadian and American broadband services segments;
- a non-recurring $6 million current income taxes charge related to a tax reorganization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period from continuing operations	**89,708**	78,806	13.8
Profit for the period	**89,708**	75,184	19.3
Profit for the period from continuing operations attributable to owners of the Corporation	**84,178**	73,792	14.1
Profit for the period attributable to owners of the Corporation	**84,178**	70,170	20.0
Profit for the period from continuing operations attributable to non-controlling interest(1)	**5,530**	5,014	10.3
Basic earnings per share from continuing operations	**1.71**	1.50	14.0
Basic earnings per share	**1.71**	1.42	20.4

(1) The non-controlling interest related to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband.

Fiscal 2020 first-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 13.8% and 14.1%, respectively, as a result of:

- higher adjusted EBITDA;
- the decrease in financial expense; and
- the decrease in integration, restructuring and acquisition costs; partly offset by
- the increase in income taxes.

Fiscal 2020 first-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 19.3% and 20.0%, respectively, mainly due to discontinued operations which generated a loss of $3.6 million for the comparable period of the prior year in addition to the elements mentioned above.

5. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation’s equity shares, representing 82.3% of the Corporation’s voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology became effective on May 1, 2019 and was introduced to avoid future variations of the management fee percentage due to the frequent changes to the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three-month period ended November 30, 2019, management fees paid to Cogeco reached $5.4 million compared to $4.8 million for the same period of the prior year.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first quarter of fiscal 2020, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Three months ended	
(in number of units)	November 30, 2019	November 30, 2018
Stock options	**110,875**	97,725
PSUs	**14,375**	14,625

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

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars)	**$**	$
Stock options	**309**	298
ISUs	**13**	15
PSUs	**312**	200
DSUs	**132**	260
	766	773

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

6. CASH FLOW ANALYSIS

	Three months ended		
	November 30, 2019	November 30, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Cash flow from operating activities	**149,192**	98,996	50.7
Cash flow from investing activities	**(121,117)**	(139,070)	(12.9)
Cash flow from financing activities	**(43,063)**	29,590	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**99**	(176)	—
Net change in cash and cash equivalents from continuing operations	**(14,889)**	(10,660)	39.7
Net change in cash and cash equivalent from discontinued operations	**—**	(3,172)	(100.0)
Cash and cash equivalents, beginning of the period	**556,504**	84,725	—
Cash and cash equivalents, end of the period	**541,615**	70,893	—

6.1 OPERATING ACTIVITIES

Fiscal 2020 first-quarter cash flow from operating activities increased by 50.7% compared to the same period of the prior year mainly from:

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

6.2 INVESTING ACTIVITIES

Fiscal 2020 first-quarter investing activities decreased by 12.9% compared to 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; partly offset by
- the increase in acquisitions of property, plant and equipment in both the Canadian and American broadband services segments.

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, 2019	November 30, 2018	Change	Change in constant currency (1)
(in thousands of dollars, except percentages)	**$**	$	%	%
Canadian broadband services	**75,130**	58,458	28.5	27.8
Capital intensity	**23.4%**	18.1%		
American broadband services	**45,833**	42,099	8.9	7.7
Capital intensity	**17.2%**	16.6%		
Inter-segment eliminations and other	**339**	—	—	—
Consolidated	**121,302**	100,557	20.6	19.7
Capital intensity	**20.7%**	17.4%		

(1) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 20.6% (19.7% in constant currency) mainly due to higher capital expenditures in the Canadian and American broadband services segments.

Fiscal 2020 first-quarter capital intensity reached 20.7% compared to 17.4% 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

Fiscal 2020 first-quarter free cash flow decreased by 4.3% (4.3% in constant currency) compared to the same period of the prior year mainly due to the following:

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

6.4 FINANCING ACTIVITIES

Fiscal 2020 first-quarter changes in cash flows from financing activities are mainly explained as follows:

	Three months ended		
	November 30, 2019	November 30, 2018	Explanations
(in thousands of dollars)	**$**	$	
Increase in bank indebtedness	**11,172**	1,458	Related to the timing of payments made to suppliers.
Net increase under the revolving facilities	**—**	114,162	Increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019.
Repayment of long-term debt	**(5,648)**	(60,653)	Quarterly repayment of the Senior Secured Term Loan B Facility during fiscal 2020 and 2019. Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018.
Repayment of lease liabilities	**(1,196)**	—	
Repayment of balance due on business combinations	**(3,228)**	—	Partial repayment of the balance related to the FiberLight acquisition.
	1,100	54,967	

DIVIDENDS

During the first quarter of fiscal 2020, a quarterly eligible dividend of $0.58 per share was paid to the holders of multiple and subordinate voting shares, totalling $28.5 million, compared to a quarterly eligible dividend of $0.525 per share, or $25.9 million in the first quarter of fiscal 2019.

NORMAL COURSE ISSUER BID ("NCIB")

During the first quarter of fiscal 2020, Cogeco Communications purchased and cancelled 143,100 subordinate voting shares with an average price per share repurchased of $109.64 for a total consideration of $15.7 million. In the comparable period of fiscal 2019, Cogeco Communications did not purchase and cancel subordinate voting shares as the NCIB program started in the third quarter of fiscal 2019.

6.5 DIVIDEND DECLARATION

At its January 14, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple voting and subordinate voting shares, payable on February 11, 2020 to shareholders of record on January 28, 2020. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. SEGMENTED OPERATING AND FINANCIAL RESULTS

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

7.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**320,807**	322,465	(0.5)	(0.5)	—
Operating expenses	**149,845**	159,326	(6.0)	(6.0)	107
Adjusted EBITDA	**170,962**	163,139	4.8	4.9	(107)
Adjusted EBITDA margin	**53.3%**	50.6%			
Acquisitions of property, plant and equipment	**75,130**	58,458	28.5	27.8	420
Capital intensity	**23.4%**	18.1%			

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

REVENUE

Fiscal 2020 first-quarter revenue decreased by 0.5% (0.5% in constant currency) mainly as a result of:

- a decline in video service customers partly due to the trailing impact of the implementation of a new customer management system which was in stabilization phase at the beginning of fiscal 2019; and
- lower net pricing from consumer sales; partly offset by
- customers' transition to higher value offerings; and
- continued growth in Internet service customers.

OPERATING EXPENSES

Fiscal 2020 first-quarter operating expenses decreased by 6.0% (6.0% in constant currency) mainly attributable to:

- lower programming costs resulting from lower video service customers;
- lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019;
- additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system implemented in the third quarter of fiscal 2018;
- retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher than expected rates established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period from 2014 to 2018; and
- the impact of IFRS 16 adoption; partly offset by
- higher marketing initiatives.

ADJUSTED EBITDA

Fiscal 2020 first-quarter adjusted EBITDA increased by 4.8% (4.9% in constant currency) mainly from a decline in operating expenses.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 28.5% (27.8% in constant currency) resulting from:

- higher purchases of customer premise equipment due to the timing of certain initiatives; and
- higher costs related to the new Internet protocol television ("IPTV") platform to be launched in fiscal 2020.

Fiscal 2020 first-quarter capital intensity reached 23.4% compared to 18.1% for fiscal 2019 mainly as a result of an increase in capital expenditures combined with lower revenue.

CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration[1]	
	November 30, 2019	**November 30, 2019**	November 30, 2018	**November 30, 2019**	November 30, 2018
Primary service units	**1,818,732**	**8,366**	(35,290)		
Internet service customers	**794,895**	**6,652**	(3,281)	**45.0**	44.4
Video service customers	**646,326**	**(3,257)**	(13,069)	**36.6**	38.5
Telephony service customers	**377,511**	**4,971**	(18,940)	**21.4**	21.5

(1) As a percentage of homes passed.

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

Variations of each services are also explained as follows:

INTERNET

Fiscal 2020 first-quarter Internet service customers net additions amounted to 6,652 compared to net losses of 3,281 for the same period of the prior year. The variations were due to:

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

VIDEO

Fiscal 2020 first-quarter video service customers net losses amounted to 3,257 compared to 13,069 for the same period of the prior year. The variations were due to:

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

TELEPHONY

Fiscal 2020 first-quarter telephony service customers net additions amounted to 4,971 compared to net losses of 18,940 for the same period of the prior year. The variations were due to:

- more telephony bundles being marketed during the first quarter of fiscal 2020; partly offset by
- 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, 2019, 69% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

7.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

	Three months ended				
	November 30, 2019 (1)	November 30, 2018	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**266,020**	254,208	4.6	3.5	2,836
Operating expenses	**144,370**	136,932	5.4	4.3	1,531
Adjusted EBITDA	**121,650**	117,276	3.7	2.6	1,305
Adjusted EBITDA margin	**45.7%**	46.1%			
Acquisitions of property, plant and equipment	**45,833**	42,099	8.9	7.7	494
Capital intensity	**17.2%**	16.6%			

(1) For the three-month period ended November 30, 2019, the average foreign exchange rate used for translation was 1.3223 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019 which was 1.3082 USD/CDN.

REVENUE

Fiscal 2020 first-quarter revenue increased by 4.6% (3.5% in constant currency). In local currency, revenue amounted to US$201.2 million compared to US$194.3 million for the same period of fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers; and
- rate increases mostly implemented during the fourth quarter of fiscal 2019; partly offset by
- a decrease in video service customers; and
- lower political advertising revenue.

OPERATING EXPENSES

Fiscal 2020 first-quarter operating expenses increased by 5.4% (4.3% in constant currency) mainly as a result of:

- higher marketing initiatives; and
- higher compensation expenses due to additional headcount to support growth; partly offset by
- the impact of IFRS 16 adoption.

ADJUSTED EBITDA

Fiscal 2020 first-quarter adjusted EBITDA increased by 3.7% (2.6% in constant currency). In local currency, adjusted EBITDA amounted to US $92.0 million compared to US$89.6 million for the same period of fiscal 2019, mainly due to organic revenue growth.

CAPITAL INTENSITY AND ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 first-quarter acquisitions of property, plant and equipment increased by 8.9% (7.7% in constant currency) resulting from higher purchases of customer premise equipments due to the timing of certain initiatives.

Fiscal 2020 first-quarter capital intensity reached 17.2% compared to 16.6% for the same period fiscal 2019 mainly as a result of capital expenditures growth exceeding revenue growth.

CUSTOMER STATISTICS

		Net additions (losses) Three months ended		% of penetration[1]	
	November 30, 2019	**November 30, 2019**	November 30, 2018	**November 30, 2019**	November 30, 2018
Primary service units	**903,570**	**2,124**	(4,161)		
Internet service customers	**451,463**	**5,326**	658	**51.3**	49.2
Video service customers	**308,638**	**(3,917)**	(4,553)	**35.1**	36.2
Telephony service customers	**143,469**	**715**	(266)	**16.3**	16.4

(1) As a percentage of homes passed.

INTERNET

Fiscal 2020 first-quarter Internet service customers net additions amounted to 5,326 compared to 658 for the same period of the prior year. The variations were due to:

- growth in both the residential and business sectors; partly offset by
- seasonal disconnects from the Maine and New Hampshire areas which were lower than the comparable period of the prior year.

VIDEO

Fiscal 2020 first-quarter video service customers net losses amounted to 3,917 compared to 4,553 for the same period of the prior year. The variations were due to:

- a changing video consumption environment; and
- competitive offers in the industry; partly offset by
- seasonal disconnects from the Maine and New Hampshire areas which were lower than the comparable period of the prior year; and
- our customers' ongoing interest in TiVo's digital advanced video services.

TELEPHONY

Fiscal 2020 first-quarter telephony service customers net additions amounted to 715 compared to net losses of 266 for the same period of the prior year. The variations were due to growth in the business sector.

DISTRIBUTION OF CUSTOMERS

At November 30, 2019, 52% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness. However, the Corporation had a working capital surplus at August 31, 2019 and November 30, 2019 due to the increase in cash and cash equivalents resulting from the sale of Cogeco Peer 1.

The variations are as follows:

(in thousands of dollars)	**November 30, 2019** **$**	August 31, 2019 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**540,419**	556,504	(16,085)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**79,139**	75,652	3,487	Mostly related to revenue growth.
Income taxes receivable	**18,867**	17,706	1,161	Not significant.
Prepaid expenses and other	**35,341**	22,740	12,601	Increase in prepayments for annual maintenance agreements.
Derivative financial instrument	**420**	—	420	Not significant.
	674,186	672,602	1,584	
Current liabilities				
Bank indebtedness	**11,172**	—	11,172	Timing of payments made to suppliers.
Trade and other payables	**194,397**	260,481	(66,084)	Timing of payments made to suppliers.
Provisions	**35,049**	36,553	(1,504)	Not significant.
Income tax liabilities	**13,080**	16,693	(3,613)	Related to the payment of income taxes installments during the first quarter of fiscal 2020.
Contract liabilities and other liabilities	**43,198**	43,395	(197)	Not significant.
Balance due on business combinations	**1,280**	4,520	(3,240)	Partial repayment of the balance related to the FiberLight acquisition.
Current portion of long-term debt	**226,927**	22,601	204,326	Related to the Senior Secured Debentures Series 2 maturing in November 2020 combined with the recognition of the current portion of lease liabilities following the adoption of IFRS 16.
	525,103	384,243	140,860	
Working capital surplus	**149,083**	288,359	(139,276)	

8.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2019 $	August 31, 2019 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,060,480**	2,007,610	52,870	Recognition of right-of-use assets following the adoption of IFRS 16 combined with acquisitions of property, plant and equipment during the first quarter of fiscal 2020.
Intangible assets	**2,835,633**	2,850,844	(15,211)	Related to the amortization of intangible assets during the first quarter of fiscal 2020.
Goodwill	**1,372,822**	1,373,439	(617)	Not significant.
Non-current liabilities				
Long-term debt	**3,216,616**	3,382,258	(165,642)	Related to the Senior Secured Debentures Series 2 maturing in November 2020 and long-term debt repayment, partly offset by the recognition of the long-term portion of lease liabilities following the adoption of IFRS 16.
Derivative financial instruments	**30,915**	46,044	(15,129)	Lower fair value of the interest rate swap agreements hedging US$1.1 billion of the US$1.7 billion Senior Secured Term Loan B due to an increase in long-term interest rate.
Shareholders' equity				
Equity attributable to non-controlling interest(1)	**365,083**	359,689	5,394	Mostly related to the increase in profit for the period from continuing operations attributable to non-controlling interest.

(1) The non-controlling interest relates to the 21% ownership of CDPQ in Atlantic Broadband.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications’ share data at December 31, 2019 is presented in the table below. Additional details are provided in note 11 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	**33,542,268**	**938,223**
Options to purchase subordinate voting shares		
Outstanding options	**848,304**	
Exercisable options	**327,484**	

8.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, lease contracts and guarantees. Cogeco Communications' obligations, as reported in the 2019 Annual Report, have not materially changed since August 31, 2019.

On December 6, 2019, the Corporation's Term Revolving Facility was decreased by $50 million to $750 million and the maturity date was extended by an additional year until January 24, 2025. Moreover, on the same date, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

At November 30, 2019, the Corporation had used $0.6 million of its $800 million Term Revolving Facility for a remaining availability of $799.4 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $199.3 million (US$150 million), of which $3.2 million (US$2.4 million) was used at November 30, 2019 for a remaining availability of $196.1 million (US$147.6 million).

8.5 CREDIT RATINGS

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

At November 30, 2019	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Liens Credit Facilities	**BB-**	**NR**	**B1**

NR : Not rated

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

8.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2019, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, the Corporations' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - 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 $7.6 million based on the outstanding debt at November 30, 2019.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $11.7 million based on the outstanding debt at November 30, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at November 30, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,016 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at November 30, 2019 was $1.3289 ($1.3055 in 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $83.2 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the deferred share unit ("DSU") plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares. As at November 30, 2019 the fair value of the equity swap was $0.4 million and recognized as an asset. A 5% increase in the market price of the subordinate voting shares at November 30, 2019 would result in a gain of approximately $0.2 million due to the equity swap fair value appreciation, offset by a $0.2 million increase in the DSU plan expense.

8.7 FOREIGN CURRENCY

For the three-month period ended November 30, 2019, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

	Three months ended			
	November 30, 2019	November 30, 2018	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	**1.3223**	1.3082	0.01	1.1

The following table highlights in Canadian dollars, the impact of a $0.01 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the three-month period ended November 30, 2019:

	Canadian broadband services	**American broadband services**	**Consolidated** (1)
Three months ended November 30, 2019	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of dollars)	**$**	**$**	**$**
Revenue	**—**	**2,836**	**2,836**
Operating expenses	**107**	**1,531**	**1,639**
Management fees - Cogeco Inc.			**—**
Adjusted EBITDA	**(107)**	**1,305**	**1,197**
Acquisitions of property, plant and equipment	**420**	**494**	**914**
Free cash flow			**(51)**

(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, 2019, 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, 2019.

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 2019 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2019 Annual Report, which are hereby incorporated by reference.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued its costing decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers (the "Cable Carriers"), jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. On November 22, 2019, the FCA granted leave to appeal the CRTC decision and stayed the order pending final judgement, with the result that operators do not have to implement the new rates nor to make the retroactive payments. In addition to the FCA appeal, on November 13, 2019, the Cable Carriers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. The Cabinet petition was gazetted on December 13, 2019 and set the deadline for interested parties to file comments to February 12, 2020. Furthermore, on December 13, 2019, the Cable Carriers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the oder. The Corporation has therefore not recorded the impact of the new reduced rates in the financial statements for the three-month period ended November 30, 2019.

11. ACCOUNTING POLICIES

11.1 ADOPTION OF NEW ACCOUNTING STANDARD AND INTERPRETATION

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16 *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the right-of-use ("ROU") assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. Relative to leases that have previously been accounted for as operating leases, the Corporation has recognized a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU asset) and an increase in *Financial expense* (due to the accretion of the lease liability), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the Corporation has presented an increase in cash flows from operating activities and a decrease in cash flows from financing activities, on the consolidated statement of cash flows. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus an operating activities cash flow use under IAS 17.

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
(in thousands of dollars)	$	$	$
Property, plant and equipment	2,007,610	41,981	2,049,591
Current portion of long-term debt	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Contract liabilities and other liabilities	11,119	(2,462)	8,657

The difference between operating lease commitments of $160 million at August 31, 2019 and lease liabilities of $44.4 million recognized upon adoption of IFRS 16 on September 1, 2019 was mainly the result of:

- the exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- the exclusion of approximately $27 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- the diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.57% at September 1, 2019, of approximately $12 million;
- the inclusion of approximately $20 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019;

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The adoption of IFRIC 23 on September 1, 2019 had no impact on the 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; - Acquisition of property, plant and equipment(1); and - Repayment of lease liabilities.	Cash flow from operating activities
Adjusted EBITDA and adjusted EBITDA margin	Adjusted EBITDA and adjusted EBITDA margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 4 of the condensed interim consolidated financial statements.	Adjusted EBITDA: - Profit for the period from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS measure
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rate during the three-month period ended November 30, 2018 was 1.3082 USD/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(1) divided by: - Revenue	No comparable IFRS measure

(1) Excludes the acquisition of right-of-use assets and the purchases of Spectrum licenses.

12.1 FREE CASH FLOW RECONCILIATION

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars)	$	$
Cash flow from operating activities	**149,192**	98,996
Amortization of deferred transaction costs and discounts on long-term debt	**2,537**	2,138
Changes in non-cash operating activities	**81,213**	93,748
Income taxes paid	**16,152**	25,992
Current income taxes	**(23,597)**	(12,032)
Financial expense paid	**39,115**	45,777
Financial expense	**(39,270)**	(46,559)
Acquisition of property, plant and equipment	**(121,302)**	(100,557)
Repayment of lease liabilities	**(1,196)**	—
Free cash flow	**102,844**	107,503

12.2 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars, except percentages)	$	$
Profit for the period from continuing operations	**89,708**	78,806
Income taxes	**29,931**	17,036
Financial expense	**39,270**	46,559
Depreciation and amortization	**123,135**	119,737
Integration, restructuring and acquisition costs	**61**	5,713
Adjusted EBITDA	**282,105**	267,851
Revenue	**586,827**	576,673
Adjusted EBITDA margin	**48.1%**	46.4%

12.3 CAPITAL INTENSITY RECONCILIATION

	Three months ended	
	November 30, 2019	November 30, 2018
(in thousands of dollars, except percentages)	$	$
Acquisition of property, plant and equipment	**121,302**	100,557
Revenue	**586,827**	576,673
Capital intensity	**20.7%**	17.4%

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)	**2019**	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$
Operations								
Revenue	**586,827**	576,673	583,673	566,184	587,345	567,079	584,129	529,855
Adjusted EBITDA	**282,105**	267,851	275,610	263,411	283,927	267,933	280,552	248,470
Adjusted EBITDA margin	**48.1%**	46.4%	47.2%	46.5%	48.3%	47.2%	48.0%	46.9%
Integration, restructuring and acquisition costs	**61**	5,713	712	1,677	1,003	2,260	3,722	15,999
Profit for the period from continuing operations	**89,708**	78,806	92,403	75,870	99,571	70,525	86,128	159,912
Profit (loss) for the period from discontinued operations	**—**	(3,622)	1,920	(1,052)	82,451	(5,365)	(5,369)	(16,079)
Profit for the period	**89,708**	75,184	94,323	74,818	182,022	65,160	80,759	148,833
Profit for the period from continuing operations attributable to owners of the Corporation	**84,178**	73,792	87,850	72,753	96,613	67,190	81,718	157,000
Profit for the period attributable to owners of the Corporation	**84,178**	70,170	89,770	71,701	179,064	61,825	76,349	140,921
Cash flow								
Cash flow from operating activities	**149,192**	98,996	304,702	255,438	265,551	167,073	199,462	198,720
Acquisitions of property, plant and equipment	**121,302**	100,557	145,099	162,319	96,116	98,660	92,773	112,378
Free cash flow	**102,844**	107,503	84,250	47,739	136,999	102,408	125,307	58,796
Capital intensity	**20.7%**	17.4%	24.9%	28.7%	16.4%	17.4%	15.9%	21.2%
Earnings (loss) per share[(1)]								
Basic								
From continuing operations	**1.71**	1.50	1.78	1.48	1.96	1.36	1.65	3.19
From discontinued operations	**—**	(0.07)	0.04	(0.02)	1.67	(0.11)	(0.11)	(0.33)
From continuing and discontinued operations	**1.71**	1.42	1.82	1.45	3.62	1.25	1.55	2.86
Diluted								
From continuing operations	**1.70**	1.49	1.77	1.47	1.94	1.35	1.64	3.16
From discontinued operations	**—**	(0.07)	0.04	(0.02)	1.65	(0.11)	(0.11)	(0.33)
From continuing and discontinued operations	**1.70**	1.41	1.80	1.44	3.59	1.24	1.53	2.83
Dividends per share	**0.58**	0.525	0.525	0.475	0.525	0.475	0.525	0.475

(1) 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 towns with education institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

14. ADDITIONAL INFORMATION

This MD&A was prepared on January 14, 2020. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

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

Cogeco Communications Inc.
Montréal, Québec
January 14, 2020

COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2019

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

		Three months ended November 30,	
	Notes	**2019**	2018
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*3*	**586,827**	576,673
Operating expenses	*5*	**299,332**	304,027
Management fees – Cogeco Inc.	*16*	**5,390**	4,795
Integration, restructuring and acquisition costs	*4*	**61**	5,713
Depreciation and amortization	*6*	**123,135**	119,737
Financial expense	*7*	**39,270**	46,559
Profit before income taxes		**119,639**	95,842
Income taxes	*8*	**29,931**	17,036
Profit for the period from continuing operations		**89,708**	78,806
Loss for the period from discontinued operations		**—**	(3,622)
Profit for the period		**89,708**	75,184
Profit for the period attributable to:			
Owners of the Corporation		**84,178**	70,170
Non-controlling interest		**5,530**	5,014
		89,708	75,184
Earnings (loss) per share			
Basic	*9*		
Profit for the period from continuing operations		**1.71**	1.50
Loss for the period from discontinued operations		**—**	(0.07)
Profit for the period		**1.71**	1.42
Diluted	*9*		
Profit for the period from continuing operations		**1.70**	1.49
Loss for the period from discontinued operations		**—**	(0.07)
Profit for the period		**1.70**	1.41

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

	Three months ended November 30,	
	2019	2018
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**89,708**	75,184
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	**15,129**	2,733
Related income taxes	**(3,985)**	(725)
	11,144	2,008
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**(669)**	32,083
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**234**	(17,271)
	(435)	14,812
	10,709	16,820
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability or asset	**3,473**	(1,082)
Related income taxes	**(920)**	287
	2,553	(795)
	13,262	16,025
Comprehensive income for the period	**102,970**	91,209
Comprehensive income for the period attributable to:		
Owners of the Corporation	**97,576**	79,726
Non-controlling interest	**5,394**	11,483
	102,970	91,209

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income $	Retained earnings $	Equity attributable to non-controlling interest $	Total shareholders' equity $
	(Note 11)		*(Note 12)*			
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 (Note 11 D) and 16)	—	1,767	—	—	—	1,767
Share-based payment previously recorded in share-based payment reserve for options exercised	147	(147)	—	—	—	—
Dividends (Note 11 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
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**
Profit for the period	**—**	**—**	**—**	**84,178**	**5,530**	**89,708**
Other comprehensive income (loss) for the period	**—**	**—**	**10,845**	**2,553**	**(136)**	**13,262**
Comprehensive income for the period	**—**	**—**	**10,845**	**86,731**	**5,394**	**102,970**
Issuance of subordinate voting shares under the Stock Option Plan	**4,495**	**—**	**—**	**—**	**—**	**4,495**
Share-based payment (Note 11 D) and 16)	**—**	**1,422**	**—**	**—**	**—**	**1,422**
Share-based payment previously recorded in share-based payment reserve for options exercised	**701**	**(701)**	**—**	**—**	**—**	**—**
Dividends (Note 11 C))	**—**	**—**	**—**	**(28,521)**	**—**	**(28,521)**
Purchase and cancellation of subordinate voting shares	**(3,988)**	**—**	**—**	**(11,702)**	**—**	**(15,690)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,643)**	**—**	**—**	**—**	**—**	**(5,643)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,671**	**(2,958)**	**—**	**(713)**	**—**	**—**
Total contributions by (distributions to) shareholders	**(764)**	**(2,237)**	**—**	**(40,936)**	**—**	**(43,937)**
Balance at November 30, 2019	**1,022,626**	**11,289**	**41,873**	**1,177,640**	**365,083**	**2,618,511**

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

(In thousands of Canadian dollars)	*Notes*	**November 30, 2019** $	August 31, 2019 $
Assets			
Current			
Cash and cash equivalents		**540,419**	556,504
Trade and other receivables		**79,139**	75,652
Income taxes receivable		**18,867**	17,706
Prepaid expenses and other		**35,341**	22,740
Derivative financial instrument		**420**	—
		674,186	672,602
Non-current			
Other assets		**42,300**	40,020
Property, plant and equipment		**2,060,480**	2,007,610
Intangible assets		**2,835,633**	2,850,844
Goodwill		**1,372,822**	1,373,439
Deferred tax assets		**5,225**	6,564
		6,990,646	6,951,079
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**11,172**	—
Trade and other payables		**194,397**	260,481
Provisions		**35,049**	36,553
Income tax liabilities		**13,080**	16,693
Contract liabilities and other liabilities		**43,198**	43,395
Balance due on a business combination		**1,280**	4,520
Current portion of long-term debt	*10*	**226,927**	22,601
		525,103	384,243
Non-current			
Long-term debt	*10*	**3,216,616**	3,382,258
Derivative financial instruments		**30,915**	46,044
Contract liabilities and other liabilities		**11,775**	11,119
Pension plan liabilities and accrued employee benefits		**12,095**	14,355
Deferred tax liabilities		**575,631**	553,582
		4,372,135	4,391,601
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*11 B)*	**1,022,626**	1,023,390
Share-based payment reserve		**11,289**	13,526
Accumulated other comprehensive income	*12*	**41,873**	31,028
Retained earnings		**1,177,640**	1,131,845
		2,253,428	2,199,789
Equity attributable to non-controlling interest		**365,083**	359,689
		2,618,511	2,559,478
		6,990,646	6,951,079

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

		Three months ended November 30,	
	Notes	**2019**	2018
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the period from continuing operations		**89,708**	78,806
Adjustments for:			
Depreciation and amortization	*6*	**123,135**	119,737
Financial expense	*7*	**39,270**	46,559
Income taxes	*8*	**29,931**	17,036
Share-based payment		**2,142**	1,703
Loss on disposals and write-offs of property, plant and equipment		**994**	422
Defined benefit plans expense, net of contributions		**492**	250
		285,672	264,513
Changes in non-cash operating activities	*13*	**(81,213)**	(93,748)
Financial expense paid		**(39,115)**	(45,777)
Income taxes paid		**(16,152)**	(25,992)
		149,192	98,996
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(121,302)**	(100,557)
Business combination, net of cash and cash equivalents acquired		**—**	(38,876)
Proceeds on disposals of property, plant and equipment		**185**	363
		(121,117)	(139,070)
Cash flow from financing activities			
Increase in bank indebtedness		**11,172**	1,458
Net increase under the revolving facilities		**—**	114,162
Repayment of notes, debentures and credit facilities		**(5,648)**	(60,653)
Repayment of lease liabilities		**(1,196)**	—
Repayment of balance due on a business combination		**(3,228)**	—
Issuance of subordinate voting shares	*11 B)*	**4,495**	544
Purchase and cancellation of subordinate voting shares		**(15,690)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*11 B)*	**(5,643)**	—
Dividends paid on multiple voting shares	*11 C)*	**(9,101)**	(8,238)
Dividends paid on subordinate voting shares	*11 C)*	**(19,420)**	(17,683)
		(44,259)	29,590
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**99**	(176)
Net change in cash and cash equivalents from continuing operations		**(16,085)**	(10,660)
Net change in cash and cash equivalents from discontinued operations		**—**	(3,172)
Cash and cash equivalents, beginning of the period		**556,504**	84,725
Cash and cash equivalents, end of the period		**540,419**	70,893

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 in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida). Cogeco Communications provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks.

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation's equity shares, representing 82.3% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2019 annual consolidated financial statements, unless as mentioned in Note 2. Certain comparative figures have been restated to distinguish the impact of the discontinued operations from ongoing operations following the sale of Cogeco Peer 1. 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 14, 2020.

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

2. ACCOUNTING POLICY DEVELOPMENTS

ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16 *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the right-of-use ("ROU") assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. Relative to leases that have previously been accounted for as operating leases, the Corporation has recognized a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU asset) and an increase in *Financial expense* (due to the accretion of the lease liability), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the Corporation has presented an increase in cash flows from operating activities and a decrease in cash flows from financing activities, on the consolidated statement of cash flows. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus an operating activities cash flow use under IAS 17.

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
	$	$	$
Property, plant and equipment	2,007,610	41,981	2,049,591
Current portion of long-term debt	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Contract liabilities and other liabilities	11,119	(2,462)	8,657

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

The difference between operating lease commitments of $160 million at August 31, 2019 and lease liabilities of $44.4 million recognized upon adoption of IFRS 16 on September 1, 2019 was mainly the result of:

- the exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- the exclusion of approximately $27 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- the diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.57% at September 1, 2019, of approximately $12 million;
- the inclusion of approximately $20 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019;

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The adoption of IFRIC 23 on September 1, 2019 had no impact on the consolidated financial statements.

3. REVENUE

						Three months ended November 30,
	Canadian broadband services		American broadband services		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Residential (1)	**286,754**	290,157	**227,314**	217,492	**514,068**	507,649
Commercial (2)	**33,963**	32,124	**32,000**	29,427	**65,963**	61,551
Other (3)	**90**	184	**6,706**	7,289	**6,796**	7,473
	320,807	322,465	**266,020**	254,208	**586,827**	576,673

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

4. OPERATING SEGMENTS

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

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

The previously reported Business ICT services segment, comprised of the Cogeco Peer 1 operations, was discontinued due to the sale of the Cogeco Peer 1 subsidiary on April 30, 2019.

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 or units and per share data)

	Three months ended November 30, 2019			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	**320,807**	**266,020**	**—**	**586,827**
Operating expenses	**149,845**	**144,370**	**5,117**	**299,332**
Management fees – Cogeco Inc.	**—**	**—**	**5,390**	**5,390**
Segment profit (loss)	**170,962**	**121,650**	**(10,507)**	**282,105**
Integration, restructuring and acquisition costs (1)	**—**	**61**	**—**	**61**
Depreciation and amortization	**64,374**	**58,713**	**48**	**123,135**
Financial expense				**39,270**
Profit before income taxes				**119,639**
Income taxes				**29,931**
Profit for the period				**89,708**
Acquisition of property, plant and equipment	**75,130**	**45,833**	**339**	**121,302**

(1) Comprised of integration costs in the American broadband services segment.

	Three months ended November 30, 2018			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Consolidated
	$	$	$	$
Revenue	322,465	254,208	—	576,673
Operating expenses	159,326	136,932	7,769	304,027
Management fees – Cogeco Inc.	—	—	4,795	4,795
Segment profit (loss)	163,139	117,276	(12,564)	267,851
Integration, restructuring and acquisition costs (1)	5,443	270	—	5,713
Depreciation and amortization	62,897	56,812	28	119,737
Financial expense				46,559
Profit before income taxes				95,842
Income taxes				17,036
Profit for the period from continuing operations				78,806
Loss for the period from discontinued operations				(3,622)
Profit for the period				75,184
Acquisition of property, plant and equipment	58,458	42,099	—	100,557

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

The following tables set out certain segmented and geographic market information at November 30, 2019 and August 31, 2019:

	At November 30, 2019			
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	**Total**
	$	$	$	$
Property, plant and equipment	**1,159,460**	**898,246**	**2,774**	**2,060,480**
Intangible assets	**995,325**	**1,840,308**	**—**	**2,835,633**
Goodwill	**4,662**	**1,368,160**	**—**	**1,372,822**

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

				At August 31, 2019
	Canadian broadband services	American broadband services	Inter-segment eliminations and other	Total
	$	$	$	$
Property, plant and equipment	1,124,698	882,827	85	2,007,610
Intangible assets	996,296	1,854,548	—	2,850,844
Goodwill	4,662	1,368,777	—	1,373,439

			At November 30, 2019
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**1,162,234**	**898,246**	**2,060,480**
Intangible assets	**995,325**	**1,840,308**	**2,835,633**
Goodwill	**4,662**	**1,368,160**	**1,372,822**

			At August 31, 2019
	Canada	United States	Total
	$	$	$
Property, plant and equipment	1,124,783	882,827	2,007,610
Intangible assets	996,296	1,854,548	2,850,844
Goodwill	4,662	1,368,777	1,373,439

5. OPERATING EXPENSES

	Three months ended November 30,	
	2019	2018
	$	$
Salaries, employee benefits and outsourced services	**91,265**	86,085
Service delivery costs (1)	**162,495**	167,206
Customer related costs (2)	**22,007**	20,709
Other external purchases (3)	**23,565**	30,027
	299,332	304,027

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

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2019	2018
	$	$
Depreciation of property, plant and equipment (1)	**108,827**	105,773
Amortization of intangible assets	**14,308**	13,964
	123,135	119,737

(1) The depreciation of ROU assets amounted to $1,632 for the three-month period of fiscal 2020.

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

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2019	2018
	$	$
Interest on long-term debt, excluding interest on lease liabilities	**40,079**	45,383
Interest on lease liabilities	**381**	—
Net foreign exchange loss	**20**	223
Amortization of deferred transaction costs	**464**	441
Capitalized borrowing costs [1]	**(151)**	(120)
Other	**(1,523)**	632
	39,270	46,559

(1) For the three-month periods ended November 30, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

8. INCOME TAXES

	Three months ended November 30,	
	2019	2018
	$	$
Current	**23,597**	12,032
Deferred	**6,334**	5,004
	29,931	17,036

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,	
	2019	2018
	$	$
Profit before income taxes	**119,639**	95,842
Combined Canadian income tax rate	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**31,704**	25,398
Difference in operations' statutory income tax rates	**707**	815
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**23**	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(229)**	13
Tax impacts related to foreign operations	**(6,510)**	(6,761)
Other	**4,236**	(2,429)
Income taxes at effective income tax rate	**29,931**	17,036

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

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2019	2018
	$	$
Profit for the period from continuing operations attributable to owners of the Corporation	**84,178**	73,792
Loss for the period from discontinued operations attributable to owners of the Corporation	**—**	(3,622)
Profit for the period attributable to owners of the Corporation	**84,178**	70,170
Weighted average number of multiple and subordinate voting shares outstanding	**49,154,736**	49,340,673
Effect of dilutive stock options (1)	**282,446**	74,006
Effect of dilutive incentive share units	**71,990**	105,976
Effect of dilutive performance share units	**107,837**	135,626
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,617,009**	49,656,281
Earnings (loss) per share		
Basic		
Profit for the period from continuing operations	**1.71**	1.50
Loss for the period from discontinued operations	**—**	(0.07)
Profit for the period	**1.71**	1.42
Diluted		
Profit for the period from continuing operations	**1.70**	1.49
Loss for the period from discontinued operations	**—**	(0.07)
Profit for the period	**1.70**	1.41

(1) For the three-month period ended November 30, 2019, 205,150 stock options (561,160 in 2018) were excluded from the calculation of diluted earnings per share due to the exercise price of the options being greater than the average share price of the subordinate voting shares.

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

10. LONG-TERM DEBT

A) Notes, debentures and credit facilities

	Maturity	Interest rate		November 30, 2019	August 31, 2019
		%		$	$
Corporation (1)					
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		**33,144**	33,155
Series B - US$150 million	September 2026	4.29		**198,774**	198,845
Senior Secured Notes - US$215 million	June 2025	4.30		**284,900**	284,996
Senior Secured Debentures Series 2	November 2020	5.15		**199,796**	199,744
Senior Secured Debentures Series 3	February 2022	4.93		**199,511**	199,457
Senior Secured Debentures Series 4	May 2023	4.18		**298,779**	298,697
Subsidiaries					
First Lien Credit Facilities (2)					
Senior Secured Term Loan B Facility - US$1,674.5 million (US$1,678.8 million at August 31, 2019)	January 2025	3.95	(3) (4)	**2,185,167**	2,189,965
				3,400,071	3,404,859
Less current portion				**222,387**	22,601
				3,177,684	3,382,258

(1) On December 6, 2019, the Corporation reduced the Term Revolving Facility from $800 million to $750 million and extended its maturity date by an additional year until January 24, 2025.

(2) On December 6, 2019, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

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

(4) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 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 4.24%.

B) Lease liabilities

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

The weighted average interest rate on lease liabilities was approximately 3.56% as at November 30, 2019.

	November 30, 2019
	$
Lease liabilities	**43,472**
Less current portion	**4,540**
	38,932

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

11. 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, 2019	August 31, 2019
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,639,268 subordinate voting shares (33,717,668 at August 31, 2019)	940,841	939,633
	1,039,187	1,037,979
77,441 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,935 at August 31, 2019)	(6,385)	(5,409)
118,103 subordinate voting shares held in trust under the Performance Share Unit Plan (118,667 at August 31, 2019)	(10,176)	(9,180)
	1,022,626	1,023,390

During the first three months of fiscal 2020, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	33,717,668	939,633
Shares issued for cash under the Stock Option Plan	64,700	4,495
Share-based payment previously recorded in share-based payment reserve for options exercised	—	701
Purchase and cancellation of subordinate voting shares (1)	(143,100)	(3,988)
Balance at November 30, 2019	33,639,268	940,841

(1) During the first three months of fiscal 2020, the Corporation purchased and cancelled 143,100 subordinate voting shares with an average stated value of $4 million, for consideration of $15.7 million. The excess of the purchase price over the average stated value of the shares totaled $11.7 million and was charged to retained earnings.

During the first three months of fiscal 2020, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	76,935	5,409
Subordinate voting shares acquired	21,290	2,437
Subordinate voting shares distributed to employees	(20,784)	(1,461)
Balance at November 30, 2019	77,441	6,385

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

During the first three months of fiscal 2020, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2019	**118,667**	**9,180**
Subordinate voting shares acquired	**28,005**	**3,206**
Subordinate voting shares distributed to employees	**(28,569)**	**(2,210)**
Balance at November 30, 2019	**118,103**	**10,176**

C) DIVIDENDS

For the three-month period ended November 30, 2019, a quarterly eligible dividend of $0.58 per share for a total of $28.5 million, was paid to the holders of multiple and subordinate voting shares, compared to a quarterly eligible dividend of $0.525 per share for a total of $25.9 million for the three-month period ended November 30, 2018.

	Three months ended November 30,	
	2019	2018
	$	$
Dividends on multiple voting shares	**9,101**	8,238
Dividends on subordinate voting shares	**19,420**	17,683
	28,521	25,921

At its January 14, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.58 per share for multiple and subordinate voting shares, payable on February 11, 2020 to shareholders of record on January 28, 2020.

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 2019 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, 2019:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2019	**715,614**	**65.93**
Granted (1)	**205,150**	**114.30**
Exercised (2)	**(64,700)**	**69.47**
Cancelled	**(4,260)**	**70.48**
Outstanding at November 30, 2019	**851,804**	**77.29**
Exercisable at November 30, 2019	**330,984**	**59.04**

(1) During the three-month period ended November 30, 2019, the Corporation granted 110,875 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 $113.83.

A compensation expense of $160,000 ($259,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

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

The weighted average fair value of stock options granted for the three-month period ended November 30, 2019 was $18.46 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	**2.07**
Expected volatility	**20.51**
Risk-free interest rate	**1.53**
Expected life (in years)	**5.9**

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**71,825**
Granted	**26,975**
Distributed	**(20,784)**
Cancelled	**(2,725)**
Outstanding at November 30, 2019	**75,291**

A compensation expense of $321,000 ($554,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**107,551**
Granted (1)	**38,900**
Distributed	**(28,569)**
Cancelled	**(3,228)**
Dividend equivalents	**569**
Outstanding at November 30, 2019	**115,223**

(1) During the three-month period ended November 30, 2019, the Corporation granted 14,375 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $307,000 ($441,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2019:

Outstanding at August 31, 2019	**42,679**
Dividend equivalents	**212**
Outstanding at November 30, 2019	**42,891**

A compensation expense of $588,000 (compensation expense reduction of $324,000 in 2018) was recorded for the three-month period ended November 30, 2019 related to this plan.

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

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
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
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**
Other comprehensive income (loss)	**11,144**	**(299)**	**10,845**
Balance at November 30, 2019	**(22,698)**	**64,571**	**41,873**

13. ADDITIONAL CASH FLOW INFORMATION

CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2019	2018
	$	$
Trade and other receivables	**(3,131)**	7
Prepaid expenses and other	**(12,589)**	(10,972)
Other assets	**(2,756)**	(2,361)
Trade and other payables	**(63,835)**	(81,059)
Provisions	**(1,827)**	576
Contract liabilities and other liabilities	**2,925**	61
	(81,213)	(93,748)

14. 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,	
	2019	2018
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**491**	405
Administrative expense	**50**	77
Recognized in financial expense (other)		
Net interest	**77**	3
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,268**	2,016
	2,886	2,501

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

15. 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, foreign exchange and market risks which are described in the Corporation's annual consolidated financial statements.

Liquidity risk

At November 30, 2019, the Corporation had used $0.6 million of its $800 million Term Revolving Facility for a remaining availability of $799.4 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $199.3 million (US$150 million), of which $3.2 million (US$2.4 million) was used at November 30, 2019 for a remaining availability of $196.1 million (US$147.6 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2019, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the 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, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - 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 $7.6 million based on the outstanding debt at November 30, 2019.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $11.7 million based on the outstanding debt at November 30, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge these investments at November 30, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,016 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the statement of financial position accounts at November 30, 2019 was $1.3289 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $83.2 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares. As at November 30, 2019 the fair value of the equity swap was $0.4 million and recognized as an asset. A 5% increase in the market price of the subordinate voting shares at November 30, 2019 would result in a gain of approximately $0.2 million due to the equity swap fair value appreciation, offset by a $0.2 million increase in the DSU plan expense.

(amounts in tables are in thousands of Canadian dollars, except number of shares or units 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, 2019		August 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt, excluding lease liabilities	**3,400,071**	**3,503,409**	3,404,859	3,521,418

C) CAPITAL MANAGEMENT

At November 30, 2019 and August 31, 2019, 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, 2019	August 31, 2019
Net indebtedness (1) / adjusted EBITDA (2)	**2.6**	2.6
Adjusted EBITDA (2) / financial expense (2)	**6.7**	6.3

(1) Net indebtedness is defined as the total of bank indebtedness, balance due on business combinations 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, 2019 and for the year ended August 31, 2019.

16. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which holds 31.8% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees is based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology became effective on May 1, 2019 and was introduced to avoid future variations of the management fee percentage due to the frequent changes to the Corporation's consolidated revenue pursuant to business acquisitions and divestitures. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the three-month period ended November 30, 2019, management fees paid to Cogeco amounted to $5.4 million, compared to $4.8 million for the same period of fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the three-month periods ended November 30, 2019 and 2018, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Three months ended November 30,	
	2019	2018
Stock options	**110,875**	97,725
PSUs	**14,375**	14,625

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

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

	Three months ended November 30,	
	2019	2018
	$	$
Stock options	**309**	298
ISUs	**13**	15
PSUs	**312**	200
DSUs	**132**	260
	766	773

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

17. SUBSEQUENT EVENT

On January 10, 2020, the Corporation announced that its subsidiary Atlantic Broadband had signed a definitive agreement to purchase Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for US$50 million. The transaction is subject to customary regulatory approvals and is expected to close within three months. Upon closing of the transaction, Atlantic Broadband will add approximately 10,000 customers to its operations.

CUSTOMER STATISTICS

	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018
CONSOLIDATED					
Primary service units	**2,722,302**	2,711,812	2,707,227	2,703,223	2,711,932
Internet service customers	**1,246,358**	1,234,380	1,229,399	1,214,566	1,204,602
Video service customers	**954,964**	962,138	965,008	976,377	988,398
Telephony service customers	**520,980**	515,294	512,820	512,280	518,932
CANADA					
Primary service units	**1,818,732**	1,810,366	1,813,212	1,825,011	1,831,628
Internet service customers	**794,895**	788,243	785,703	785,004	778,996
Penetration as a percentage of homes passed	**45.0%**	44.7%	44.6%	44.7%	44.4%
Video service customers	**646,326**	649,583	657,747	668,771	675,699
Penetration as a percentage of homes passed	**36.6%**	36.8%	37.4%	38.1%	38.5%
Telephony service customers	**377,511**	372,540	369,762	371,236	376,933
Penetration as a percentage of homes passed	**21.4%**	21.1%	21.0%	21.1%	21.5%
UNITED STATES					
Primary service units	**903,570**	901,446	894,015	878,212	880,304
Internet service customers	**451,463**	446,137	443,696	429,562	425,606
Penetration as a percentage of homes passed	**51.3%**	50.8%	50.7%	49.6%	49.2%
Video service customers	**308,638**	312,555	307,261	307,606	312,699
Penetration as a percentage of homes passed	**35.1%**	35.6%	35.1%	35.5%	36.2%
Telephony service customers	**143,469**	142,754	143,058	141,044	141,999
Penetration as a percentage of homes passed	**16.3%**	16.2%	16.3%	16.3%	16.4%