SHAREHOLDERS' REPORT

Three-month period ended November 30, 2017

FINANCIAL HIGHLIGHTS

	Quarters ended November 30,		
	2017	2016	Change
(in thousands of dollars, except percentages, per share data and number of shares)	$	$	%
Operations			
Revenue	586,072	583,088	0.5
Adjusted EBITDA(1)	256,370	261,267	(1.9)
Integration, restructuring and acquisition costs	392	—	—
Profit for the period	81,778	81,959	(0.2)
Profit for the period attributable to owners of the Corporation	29,525	30,765	(4.0)
Cash Flow			
Cash flow from operating activities	2,329	122,875	(98.1)
Acquisitions of property, plant and equipment, intangible and other assets	96,309	97,344	(1.1)
Free cash flow(1)	109,014	109,333	(0.3)
Financial Condition(2)			
Cash and cash equivalents	122,754	212,283	(42.2)
Short-term investments	34,000	54,000	(37.0)
Total assets	5,464,130	5,499,376	(0.6)
Indebtedness(3)	2,706,632	2,633,159	2.8
Equity attributable to owners of the Corporation	593,369	578,556	2.6
Per Share Data(4)			
Earnings per share			
Basic	1.80	1.84	(2.2)
Diluted	1.78	1.83	(2.7)
Dividends	0.39	0.34	14.7
Weighted average number of multiple and subordinate voting shares outstanding	16,430,596	16,720,990	(1.7)

(1) The indicated terms do not have standardized definitions prescribed by the International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the “Non-IFRS financial measures” section of the MD&A.
(2) At November 30, 2017 and August 31, 2017.
(3) Indebtedness is defined as the aggregate of bank indebtedness, balance due on a business combination, principal on long-term debt and obligations under derivative financial instruments.
(4) Per multiple and subordinate voting shares.

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

Three-month period ended November 30, 2017

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 Inc.'s ("Cogeco" 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 believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" section of the Corporation's 2017 annual MD&A and the "Fiscal 2018 revised financial guidelines" section of this MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, ownership risks, human-caused and natural threats to our network, infrastructure and systems 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 2017 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 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's 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, 2017 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2017 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Inc.'s ("Cogeco" or the "Corporation") mission is to create powerful connections for its customers and foster genuine connections with its customers. As our customers are at the core of everything we do, we continuously seek to innovate in our processes, operations, services and products while efficiently managing capital utilization to secure future growth. We are also dedicated to optimizing profitability and consequently increasing shareholder value.

We measure our performance with regard to these objectives by monitoring revenue, adjusted EBITDA[(1)] and free cash flow[(1)].

Our strategies employed to reach these objectives are specific to each segment described below.

COMMUNICATIONS SEGMENT

To achieve these objectives, Cogeco Communications Inc. ("Cogeco Communications") has developed the following strategies:

Canadian broadband services	American broadband services	Business information and communications technology ("Business ICT services")
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Leveraging Internet superiority and bundle sales	Focusing on sustainable revenue growth
Optimizing the return on investments by delivering our services more efficiently	Accelerating business services growth by moving upmarket	Optimizing the use of current assets in order to optimize cash flows
Investing in our people	Strategically extending the network to new service areas	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure
	Acquiring assets with identifiable growth opportunities	Promoting our brand supported by a people centric culture

Cogeco Communications measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA, free cash flow and capital intensity. For further details please refer to the 2017 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

MEDIA ACTIVITIES

The media activities focus on continuous improvement of its programming and diversification of its product portfolio in order to increase its market share and thereby its profitability.

2.1 KEY PERFORMANCE INDICATORS

REVENUE

For the three-month period ended November 30, 2017, revenue increased by $3.0 million, or 0.5%, to reach $586.1 million, compared to $583.1 million for the same period of fiscal 2017 driven by growth of 0.8% in the Communications segment, partly offset by a decrease of 4.6% in the Other segment resulting mainly from market pressure in the media activities.

ADJUSTED EBITDA

For the three-month period ended November 30, 2017, adjusted EBITDA decreased by $4.9 million, or 1.9%, to reach $256.4 million compared to $261.3 million for the same period of fiscal 2017 due to decreases in the Communications and the Other segments primarily as a result of foreign exchange variations, non-recurring operating expenses from market pressure in the media activities.

FREE CASH FLOW

For the three-month period ended November 30, 2017, free cash flow remained essentially the same at $109.0 million compared to $109.3 million for the same period of the prior year mainly as a result of the decreases in financial expense and in capital expenditures, mostly offset by the decrease of adjusted EBITDA.

(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 of the MD&A.

3. BUSINESS DEVELOPMENTS AND OTHER

Numeris' Fall 2017 survey in the Montréal region, conducted with the Portable People Meter (“PPM”), reported that in the Montréal French market *98.5 FM*, *Rythme FM* and *CKOI* maintained their leadership positions while *The Beat* remained the leading music radio station in the Montréal English market. In addition, most of our other regional radio stations in Québec registered good ratings.

In January 2018, a US subsidiary of Cogeco Communications has entered into four forward starting interest rate swap agreements on a notional amount totalling US$600 million. These agreements will have the effect of converting the floating US LIBOR base rate, excluding the applicable credit spread, at an average fixed rate of 2.19% starting on January 31, 2018, under the US$1.7 billion Senior Secured Term Loan B.

On January 4, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast") which served about 125,000 Internet, 75,000 video and 36,000 telephony customers at November 30, 2017. This acquisition extends Atlantic Broadband's footprint across 11 states on the East Coast of the United States from Maine to Florida. The transaction valued at US$1.4 billion is subject to customary closing adjustments. This acquisition was financed through a combination of US$1.7 billion under a new Senior Secured Term Loan B, whereby US$583 million was used to refinance the existing First Lien Credit Facilities, and US$150 million under a new Senior Secured Revolving Credit facility combined with a US$315 million equity investment by Caisse de dépôt et placement du Québec (“CDPQ”) in Atlantic Broadband’s holding company, representing 21% of Atlantic Broadband.

On December 30, 2017 Atlantic Broadband purchased several dark fibres throughout south Florida from FiberLight, LLC for a consideration of US$16.8 million. On the same day, Atlantic Broadband signed an Asset Purchase Agreement (‘’APA’’) with FiberLight, LLC to acquire all of its fibre network and corresponding assets located on the East Coast of south Florida for a consideration of US$34 million, which is subject to regulatory approvals and customary closing adjustments.

On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017. This should reduce deferred income taxes and net deferred tax liabilities by approximately $89 million (US$69 million). These changes will be recognized during the three-month period ending February 28, 2018. The impact of the Act may differ from this estimate due to, among other things, changes in interpretations and assumptions the Corporation has made. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, are expected to favorably impact income tax expense in the future.

On December 11, 2017, the Corporation's subsidiary, Cogeco Communications, extended its $800 million Term Revolving Facility maturity date by an additional year until January 24, 2023.

On December 4, 2017, the Corporation amended its $50 million Term Revolving Facility resulting in the extension of the maturity date by an additional year until February 1, 2023.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

Quarters ended November 30,	2017	2016	Change
(in thousands of dollars, except percentages)	$	$	%
Revenue	586,072	583,088	0.5
Operating expenses	329,702	321,821	2.4
Adjusted EBITDA	256,370	261,267	(1.9)

REVENUE

Fiscal 2018 first-quarter revenue amounted to $586.1 million, an increase of $3.0 million, or 0.5%, compared to the same period of the prior year driven by growth of 0.8% in the Communications segment, partly offset by a decrease of 4.6% in the Other segment resulting mainly from market pressure in the media activities.

For further details on the Communications segment's revenue, please refer to the “Communications segment” section.

OPERATING EXPENSES

Fiscal 2018 first-quarter operating expenses amounted to $329.7 million, an increase of $7.9 million, or 2.4%, compared to the same period of the prior year attributable to the Communications and the Other segments.

For further details on the Communications segment's operating expenses, please refer to the “Communications segment" section.

ADJUSTED EBITDA

Fiscal 2018 first-quarter adjusted EBITDA decreased by $4.9 million, or 1.9%, to reach $256.4 million due to the decreases in the Communications and the Other segments.

For further details on the Communications segment's adjusted EBITDA, please refer to the "Communications segment" section.

4.2 FIXED CHARGES

Quarters ended November 30,	2017	2016	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation and amortization	117,097	119,908	(2.3)
Financial expense	30,126	33,335	(9.6)

Fiscal 2018 first-quarter depreciation and amortization expense decreased by $2.8 million, or 2.3%, to reach $117.1 million compared to the same period of the prior year mainly due the depreciation of the US dollar against the Canadian dollar combined with a lower level of capital expenditures over the past year in the Business ICT services operations and certain assets being fully amortized in the Communications segment.

Fiscal 2018 first-quarter financial expense decreased by $3.2 million, or 9.6%, to reach $30.1 million compared to the same period of the prior year mainly due to the depreciation of the US dollar against the Canadian dollar combined with a higher level of Indebtedness in the comparable period of the prior year.

4.3 INCOME TAXES

Fiscal 2018 first-quarter income taxes remained essentially the same at $27.0 million compared to $26.1 million for the same period of fiscal 2017. The slight variation is mainly attributable to the stable profit before income taxes combined with last year's impact on deferred income taxes as a result of changes in substantively enacted tax rates, mostly offset by the reduction of profit before income tax in foreign operations having a higher effective tax rate.

On March 26, 2015, in its 2015 budget, the Quebec government announced that the corporate tax rate would be gradually reduced by 0.1% per year from 11.9% in 2017 to 11.5% in 2020. These rate reductions were substantively enacted on November 15, 2016 and have reduced the deferred tax liabilities and the deferred income taxes by approximately $1.6 million for fiscal 2017 first-quarter.

4.4 PROFIT FOR THE PERIOD

Fiscal 2018 first-quarter profit for the period remained essentially the same at $81.8 million of which $29.5 million, or $1.80 per share, was attributable to owners of the Corporation compared to $82.0 million of which $30.8 million, or $1.84 per share, was attributable to owners of the Corporation for the same period of the prior year. The variation resulted mainly from the decreases in depreciation and amortization and in financial expense, partly offset by a lower adjusted EBITDA.

The non-controlling interest represents a participation of approximately 68.3% in Cogeco Communications' results. The profit for the period attributable to non-controlling interest amounted to $52.3 million for the fiscal 2018 first-quarter compared to $51.2 million for the same period of the prior year.

5. RELATED PARTY TRANSACTIONS

Cogeco holds 31.7% of Cogeco Communications' equity shares, representing 82.3% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and other services to Cogeco Communications under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. Fiscal 2018 and 2017 first-quarter management fees paid to Cogeco amounted to $4.7 million.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the first quarter of fiscal 2018, Cogeco Communications granted 124,625 (81,350 in 2017) stock options, did not grant any (nil in 2017) incentive share units ("ISUs") and granted 18,750 (12,150 in 2017) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During fiscal 2017, Cogeco Communications charged Cogeco $194,000 ($163,000 in 2017), $1,000 ($33,000 in 2017) and $234,000 ($136,000 in 2017), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

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

6. CASH FLOW ANALYSIS

Quarters ended November 30,	2017	2016	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	2,329	122,875	(98.1)
Cash flow from investing activities	(75,742)	(89,963)	(15.8)
Cash flow from financing activities	(17,154)	(54,954)	(68.8)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1,038	754	37.7
Net change in cash and cash equivalents	(89,529)	(21,288)	—
Cash and cash equivalents, beginning of the period	212,283	68,344	—
Cash and cash equivalents, end of the period	122,754	47,056	—

6.1 OPERATING ACTIVITIES

Fiscal 2018 first-quarter cash flow from operating activities reached $2.3 million, representing a decrease of $120.5 million, or 98.1%, compared to the same period of fiscal 2017 mainly as a result of the following:

- the increase of $90.7 million in income taxes paid mainly as a result of the payment of income taxes installments of $85.5 million which were deferred to the first quarter of fiscal 2018 pursuant to a corporate structure reorganization of certain Canadian subsidiaries in the Communications segment; and
- the increase of $28.9 million in changes in non-cash operating activities primarily due to changes in working capital.

6.2 INVESTING ACTIVITIES

Fiscal 2018 first-quarter investing activities decreased by $14.2 million, or 15.8%, to reach $75.7 million compared to the same period of the prior year. The decrease is mainly explained by the $20.0 million redemption of a short term-investment maturing during the first quarter of fiscal 2018.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

Fiscal 2018 first-quarter acquisitions of property, plant and equipment, intangible and other assets remained essentially the same at $96.3 million compared to $97.3 million for the same period of fiscal 2017 mainly due to stable capital expenditures in the Communications segment.

For further details on the Communications segment's capital expenditures, please refer to the "Communications segment" section.

6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2018 first-quarter free cash flow remained essentially the same at $109.0 million compared to $109.3 million for the same period of the prior year mainly as a result of the following:

- the decrease of $3.2 million in financial expense;
- the decrease of $1.0 million in acquisitions of property, plant and equipment, intangible and other assets; mostly offset by
- the decrease of $4.9 million in adjusted EBITDA.

FINANCING ACTIVITIES

For fiscal 2018 first quarter, a higher Indebtedness level led to a cash increase of $24.9 million compared to a lower Indebtedness level resulting in a cash decrease of $31.0 million for the first quarter of fiscal 2017. The variation is explained as follows:

Quarters ended November 30,	2017	2016	Change	Explanations
(in thousands of dollars)	$	$	$	
Increase in bank indebtedness	27,555	17,760	9,795	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	4,502	(31,095)	35,597	Increase of the revolving facilities in the quarter compared to repayments of in the first quarter of the prior year.
Repayments of long-term debt	(6,994)	(17,645)	10,651	Repayment of long-term debt in the first quarters of fiscal 2018 and 2017.
Repayment of balance due on a business combination	(118)	—	(118)	Repayment of balance due on a business combination during the first quarter of fiscal 2018.
	24,945	(30,980)	55,925	

DIVIDENDS

During the first quarter of fiscal 2018, a quarterly eligible dividend of $0.39 per share was paid to the holders of multiple and subordinate voting shares, for a total of $6.4 million compared to a quarterly eligible dividend of $0.34, or $5.7 million in the first quarter of fiscal 2017.

NORMAL COURSE ISSUER BID

During the first quarter of fiscal 2018, Cogeco purchased and cancelled 89,348 subordinate voting shares with an average stated value of $0.7 million for a consideration of $7.3 million. During the first quarter of fiscal 2017, the Corporation did not purchase and cancelled any subordinate voting shares.

6.4 DIVIDEND DECLARATION

At its January 10, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.39 per share for multiple voting and subordinate voting shares, payable on February 7, 2018 to shareholders of record on January 24, 2018. 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. COMMUNICATIONS SEGMENT

7.1 OPERATING RESULTS

Quarters ended November 30,	2017	2016	Change
(in thousands of dollars, except percentages)	$	$	%
Revenue	553,625	549,090	0.8
Operating expenses	301,415	294,699	2.3
Management fees – Cogeco Inc.	4,728	4,688	0.9
Adjusted EBITDA	247,482	249,703	(0.9)
Adjusted EBITDA margin	44.7%	45.5%	—
Acquisitions of property, plant and equipment, intangible and other assets	96,158	96,494	(0.3)

REVENUE

Fiscal 2018 first-quarter revenue amounted to $553.6 million, an increase of $4.5 million, or 0.8%, compared to the same period of the prior year mainly explained as follows:

- rate increases in the Canadian and American broadband services operations;
- continued growth in the Internet services customers in the Canadian and American broadband services operations;
- the movement of customers to higher value packages; partly offset by
- higher promotional pricing in Canadian broadband services operations;
- decline in video service customers in the Canadian and American broadband services operations;
- higher churn and competitive pricing pressures on the hosting and network connectivity services in the Business ICT services operations; and
- the depreciation of the US dollar currency against the Canadian dollar compared to the same period of the prior year.

OPERATING EXPENSES AND MANAGEMENT FEES

Fiscal 2018 first-quarter operating expenses amounted to $301.4 million, an increase of $6.7 million, or 2.3%, compared to the same period of the prior year mainly explained as follows:

- higher employee compensation costs mainly due to higher headcount combined with additional marketing costs due to the timing of certain initiatives in the Canadian broadband services operations;
- additional costs such as employee and outsourced services compensation costs and marketing expenses to support the continued expansion in Florida and in anticipation of the MetroCast acquisition in the American broadband services operations;
- programming rate increases in the American broadband services operations;
- non-recurring costs of $3.1 million related to hurricane Irma in the American broadband services operations; partly offset by
- lower fees paid to third parties combined with lower employee compensation costs and related expenses due to lower headcount in the Business ICT services operations; and
- the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

Fiscal 2018 first-quarter management fees paid to Cogeco Inc. remained the same at $4.7 million compared to the same period of fiscal 2017. For further details on the Communications segment's management fees, please refer to the “Related party transactions” section.

ADJUSTED EBITDA

Fiscal 2018 first-quarter adjusted EBITDA decreased by $2.2 million, or 0.9%, to reach $247.5 million mainly as a result of the decreases in the American broadband services and Business ICT services operations, partly offset by the improvement in the Canadian broadband services operations.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

Fiscal 2018 first-quarter acquisitions of property, plant and equipment, intangible and other assets remained essentially the same at $96.2 million compared to $96.5 million for the same period of fiscal 2017 mainly explained as follows:

- lower capital expenditures due to the timing of certain initiatives in the Canadian broadband services operations;
- lower equipments purchased to expand the Gigabit service and customer premise equipment acquisitions both due to the timing of certain initiatives in the American broadband services operations; and
- the depreciation of the US dollar over the Canadian dollar compared to the same period of the prior year; partly offset by
- additional investments in network infrastructure in order to extend the network in new areas, including the Florida expansion, as well as additional equipments to improve the capacity of the Internet platform in some of the areas we serve; and
- the purchase of additional equipments for the hosting services in the Business ICT services operations.

7.2 CUSTOMER STATISTICS

	November 30, 2017			Net additions (losses) Quarters ended November 30	
	Consolidated	Canada	United States	2017	2016 (2)
Primary service units(1)	2,526,486	1,915,454	611,032	(1,396)	17,605
Internet service customers	1,054,346	779,434	274,912	11,350	19,437
Video service customers	948,778	715,604	233,174	(7,997)	(2,712)
Telephony service customers	523,362	420,416	102,946	(4,749)	880

(1) Represent the sum of Internet, video and telephony service customers.

(2) Excludes 2,247 primary service units (808 Internet and 1,439 video services) from a business combination completed by the Canadian broadband services operations in the first quarter of fiscal 2017.

(3) As a percentage of homes passed.

INTERNET

Fiscal 2018 first-quarter Internet service customers net additions amounted to 11,350 compared to 19,437 for the same period of fiscal 2017. The lower net additions is mainly due to competitive offers in the industry combined with a higher churn following the end of promotional activity in Canada combined with lower connects and a delayed bulk agreement activation both as a result of the impact of hurricane Irma in the United States. Internet service customers net additions stemmed from the ongoing interest in high speed offerings and in TiVo's digital advanced video services which requires an Internet subscription, the increase demand from Internet resellers and from the business sector as well as the sustained interest in bundle offers.

VIDEO

Fiscal 2018 first-quarter video service customers net losses stood at 7,997 compared to 2,712 for the same period of fiscal 2017. The net losses resulted mainly from competitive offers in the industry and the changing video consumption environment in both Canada and the United States. Moreover, net losses also resulted from a higher churn following the end of promotional activity in Canada combined with lower connects and a delayed bulk agreement activation both as a result of the impact of hurricane Irma in the United States. The net losses were partly offset in Canada by the customers' interest in the video product offering of the Corporation, including TiVo's digital advanced video services, as well as bundles with fast Internet offerings.

TELEPHONY

Fiscal 2018 first-quarter telephony service customers net losses stood at 4,749 compared to net additions of 880 for the same period of fiscal 2017. The loss is mainly explained by the increasing mobile penetration and various unlimited offers in Canada launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only, partly offset by the continued growth in the residential and business sectors in the United States.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

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

The variations are as follows:

	November 30, 2017	August 31, 2017	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	**122,754**	212,283	(89,529)	Please refer to the "Cash flow and analysis" section.
Short-term investments	**34,000**	54,000	(20,000)	$20.0 million of short-term investments matured in October 2017.
Trade and other receivables	**118,994**	112,092	6,902	Timing of cash received from customers in the media activities.
Income taxes receivable	**11,577**	4,277	7,300	Mostly related to income tax installments made during the first quarter of fiscal 2018.
Prepaid expenses and other	**36,632**	21,737	14,895	Increase in prepayments of annual maintenance agreements.
Derivative financial instrument	**105**	98	7	Non significant.
	324,062	404,487	(80,425)	
Current liabilities				
Bank indebtedness	**31,356**	3,801	27,555	Timing of payments made to suppliers.
Trade and other payables	**226,533**	337,667	(111,134)	Timing of payments made to suppliers.
Provisions	**24,023**	23,260	763	Non significant.
Income tax liabilities	**37,628**	103,650	(66,022)	Timing of payments of income taxes related to the deferral in the first quarter of fiscal 2018 of income tax installments pursuant to a corporate structure reorganization of certain Canadian subsidiaries in the Communications segment.
Deferred and prepaid revenue	**78,668**	85,302	(6,634)	Mostly related to the reclassification of a portion related to a large colocation contract in the Communications segment to non-current liabilities.
Balance due on a business combination	**—**	118	(118)	Non significant.
Derivative financial instruments	**—**	192	(192)	Non significant.
Current portion of long-term debt	**190,547**	131,935	58,612	Mostly related to the $55 million Senior Secured Notes Series B of Cogeco Communications maturing in October 2018 combined with the appreciation of the US dollar against the Canadian dollar.
	588,755	685,925	(97,170)	
Working capital deficiency	**(264,693)**	(281,438)	16,745	

8.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2017 $	August 31, 2017 $	Change $	Explanations
Non-current assets				
Intangible assets	2,074,043	2,058,220	15,823	Appreciation of the US dollar and the British Pound against the Canadian dollar, partly offset by the amortization expense exceeding the acquisitions of intangible assets.
Goodwill	1,065,196	1,042,009	23,187	Appreciation of the US dollar and the British Pound against the Canadian dollar.
Non-current liabilities				
Long-term debt	2,468,350	2,479,421	(11,071)	Related to the $55 million Senior Secured Notes Series B of Cogeco Communications maturing in October 2018 and debt repayments, partly offset by a draw down of $13 million on the $50 million Term Revolving Facility during the first quarter of fiscal 2018 combined with the appreciation of the US dollar against the Canadian dollar.
Deferred tax liabilities	636,092	623,436	12,656	Appreciation of the US dollar against the Canadian dollar.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at December 31, 2017 is presented in the table below. Additional details are provided in note 9 of the consolidated financial statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,812,860	12
Subordinate voting shares	14,690,897	119,304

8.4 FINANCING

In the normal course of business, Cogeco has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. Cogeco 's obligations, as reported in the 2017 Annual Report, have not materially changed since August 31, 2017.

At November 30, 2017, the Corporation had used $13 million of its $50 million Term Revolving Facility and an amount of $25.2 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $37 million and $774.8 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $193.3 million (US$150 million), of which $31.3 million (US$24.3 million) was used at November 30, 2017 for a remaining availability of $162.0 million (US$125.7 million).

8.5 COGECO COMMUNICATIONS CREDIT RATINGS

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

At November 30, 2017	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Senior Unsecured Notes	BB-	BB	BB+	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

Pursuant to the closing of the MetroCast acquisition on January 4, 2018, the credit ratings for Cogeco Communications remained unchanged while the credit rating on Atlantic Broadband's First Lien Credit Facilities was downgraded to B1 and BB- by Moody's and S&P, respectively, due to the additional financial leverage at Atlantic Broadband resulting from the acquisition.

8.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2017, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' First Lien Credit Facilities.

To reduce such risk, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2017:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility
Cash flow (1)	US$500 million	US Libor base rate	2.017% - 2.094%	January 2023 - November 2024	Senior Secured Term Loan B (2)

(1) Forward starting interest rate swaps with a January 31, 2018 effective date.

(2) A US$1.7 billion Senior Secured Term Loan B was issued on January 4, 2018 to finance the MetroCast acquisition and also to refinance the existing Atlantic Broadband First Lien Credit Facilities.

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.7 million based on the outstanding debt at November 30, 2017.

Foreign exchange risk

Cogeco Communications 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 $7.4 million based on the outstanding debt at November 30, 2017.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into a foreign currency forward contract and designated it as a cash-flow hedge for accounting purposes. The following table shows the forward contract outstanding at November 30, 2017:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$4.9 million	January 2018	1.2662	Purchase commitments of property, plant and equipment

Furthermore, Cogeco Communications' net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. The risk related to the US dollar aggregate investments is mitigated since the major part was borrowed in US dollars.

The following table shows the net investments in foreign operations outstanding at November 30, 2017:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$910.6 million	Net investments in foreign operations in US dollar
N/A	£—	£27.6 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at November 30, 2017 was $1.2888 ($1.2536 at August 31, 2017) per US dollar and $1.7404 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $20.3 million.

For the first quarter ended November 30, 2017, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

Quarters ended November 30,	2017	2016	Change
	$	$	%
US dollar vs Canadian dollar	1.2552	1.3266	(5.4)
British Pound vs Canadian dollar	1.6638	1.6755	(0.7)

The following highlights in Canadian dollars, the impact of a 10% increase in US dollar or British Pound against the Canadian dollar on the Communications segment's operating results for the period ended November 30, 2017:

	Communications segment	
	As reported	Exchange rate impact
(in thousands of dollars)	$	$
Revenue	553,625	19,461
Operating expenses	301,415	12,953
Management fees - Cogeco Inc.	4,728	—
Adjusted EBITDA	247,482	6,508
Acquisitions of property, plant and equipment, intangible and other assets	96,158	7,898
Free cash flow	102,300	(3,121)

The impact of a 10% decrease in the US dollar and British Pound against the Canadian dollar would have the reverse effect on Cogeco Communications segment's operating results.

9. FISCAL 2018 REVISED FINANCIAL GUIDELINES

9.1 CONSOLIDATED

Cogeco revised its financial guidelines to take into consideration MetroCast's financial projections for an eight-month period in the Communications segment.

As a result of this acquisition, the proportion of revenue, operating expenses and capital expenditures realized in US dollars will increase significantly, resulting in larger foreign exchange rate variations on the Corporation’s financial results. Accordingly, the Corporation believes the presentation of its financial guidelines on a constant currency basis should enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

On a constant currency and consolidated basis, Cogeco expects fiscal 2018 revenue to grow between 10% and 12% and adjusted EBITDA between 9% and 11% while free cash flow should decrease between 10% and 17% compared to fiscal 2017.

The following table outlines fiscal 2018 revised financial guidelines ranges on a consolidated basis:

	Revised projections (1) January 10, 2018	Actual
	Fiscal 2018	Fiscal 2017
(in millions of dollars, except percentages)	(constant currency basis) (2)	$
Financial guidelines		
Revenue	Increase of 10% to 12%	2,348
Adjusted EBITDA	Increase of 9% to 11%	1,036
Acquisitions of property, plant and equipment, intangible and other assets	$535 to $555	431
Free cash flow(3)	Decrease of 10% to 17%	390

(1) Fiscal 2018 revised financial guidelines presented as percentages reflect increases/decreases over fiscal 2017 actuals.

(2) Based on fiscal 2017 average foreign exchange rates of 1.3205 USD/CDN and 1.6711 GBP/CDN.

(3) The assumed current income tax effective rate is approximatively 24%.

9.2 COMMUNICATIONS SEGMENT

Cogeco Communications revised on January 10, 2018 its fiscal 2018 financial guidelines to include MetroCast's financial projections for an eight-month period.

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2018 revenue to grow between 11% and 13% and adjusted EBITDA between 10% and 12% while free cash flow should decrease between 11% and 18% compared to fiscal 2017. The capital intensity ratio should increase compared to fiscal 2017 mainly due to Atlantic Broadband's Florida expansion plans. Included in those projections, the MetroCast acquisition should represent approximately 9% growth in revenue and 10% growth in adjusted EBITDA. The MetroCast acquisition, together with dark fibre asset purchases completed in December 2017, will add $65 to $70 million in capital expenditures, for total projected capital expenditures of $530 to $550 million.

In the Canadian broadband services segment, revenue growth should stem primarily from the residential and business sectors as well as from the impact of rate increases in most services. Residential revenue should also increase from the ongoing interest in Internet services, partly offset by a decline in video and telephony services as a result of service category maturity, competitive offers in the industry and a changing video consumption environment. Growth in the business sector should come from the increasing demand in Internet and telephony services as well as demand from Internet resellers. In the American broadband services segment, revenue growth should stem primarily from the MetroCast acquisition as well as primary service units growth in both the residential and business sectors combined with the impact of rate increases in most services. Revenue in the residential sector should continue to benefit from customers' ongoing interest in all its services as well as from the continued expansion in Florida. In addition, revenue growth in the business sector should be driven by new offerings in both the Internet and telephony services. In the Business ICT services segment, revenue should remain stable and stem primarily from cloud services due to new partnership programs and additional services offered, partly offset by a decline in network connectivity services as a result of competitive pricing pressures.

Adjusted EBITDA should increase reflecting organic growth in our operating segments and the MetroCast acquisition, partly offset by costs to support the continued expansion in Florida, costs incurred in anticipation of the MetroCast acquisition as well as non-recurring costs related to hurricane Irma. Excluding fiscal 2017 non-recurring items and fiscal 2018 costs related to hurricane Irma, adjusted EBITDA would increase by an additional 1% year-over-year.

Free cash flow should decrease as a result of increases in capital expenditures mainly due to the Florida expansion plans combined with transaction costs associated with the MetroCast acquisition, partly offset by the improvement of the adjusted EBITDA.

The following table outlines fiscal 2018 revised financial guidelines ranges on a consolidated basis:

(in millions of dollars, except percentages)	Revised projections January 10, 2018 (1) Fiscal 2018 (constant currency basis) (2)	Actuals Fiscal 2017 $
Financial guidelines		
Revenue	**Increase of 11% to 13%**	2,227
Adjusted EBITDA	**Increase of 10% to 12%**	1,005
Acquisitions of property, plant and equipment, intangible and other assets	**$530 to $550**	428
Free cash flow(3)	**Decrease of 11% to 18%**	374
Capital intensity	**21.0% to 22.0%**	19.2%

(1) Fiscal 2018 revised financial guidelines presented as percentages reflect increases/decreases over fiscal 2017 actuals.

(2) Based on fiscal 2017 average foreign exchange rates of 1.3205 USD/CDN and 1.6711 GBP/CDN.

(3) The assumed current income tax effective rate is approximatively 24%.

10. 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 of 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's 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, 2017, 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, 2017.

11. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2017 Annual Report, available at www.sedar.com and corpo.cogeco.com. There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2017.

12. ACCOUNTING POLICIES

12.1 NEW ACCOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standards Board* ("IASB") that are mandatory but not yet effective for the three-month period ended November 30, 2017 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2017 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

12.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco's critical accounting policies and estimates since August 31, 2017. A description of the Corporation's policies and estimates can be found in the 2017 Annual Report, available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

13. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco 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" and "adjusted EBITDA" 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 financial guidelines on a constant currency basis, including revenue, "adjusted EBITDA", acquisitions of property, plant and equipment, intangible and other assets, "free cash flow" and "capital intensity". 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. Financial projections on a constant currency basis are obtained by translating financial guidelines denominated in US dollars and GBP currency at the foreign exchange rates of the prior year. The average foreign exchange rates in fiscal 2017 were 1.3205 USD/CDN and 1.6711 GBP/CDN.

Non-IFRS measure	Application	Calculation	Most comparable IFRS measure
Free cash flow	Management and investors use free cash flow to measure Cogeco's 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; and - Acquisition of intangible and other assets.	Cash flow from operating activities
Adjusted EBITDA	Adjusted EBITDA is a key measure commonly reported and used in the telecommunications industry, as it allows comparisons between companies that have different capital structures and is a more current measure since it excludes 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 's business units is equal to the segment profit reported in note 2 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period

13.1 FREE CASH FLOW RECONCILIATION

Quarters ended November 30,	2017	2016
(in thousands of dollars)	$	$
Cash flow from operating activities	**2,329**	122,875
Amortization of deferred transaction costs and discounts on long-term debt	**2,184**	2,265
Changes in non-cash operating activities	**116,322**	87,394
Income taxes paid	**97,951**	7,265
Current income taxes	**(24,704)**	(23,923)
Financial expense paid	**41,367**	44,136
Financial expense	**(30,126)**	(33,335)
Acquisition of property, plant and equipment	**(91,476)**	(91,812)
Acquisition of intangible and other assets	**(4,833)**	(5,532)
Free cash flow	**109,014**	109,333

13.2 ADJUSTED EBITDA RECONCILIATION

Quarters ended November 30,	2017	2016
(in thousands of dollars)	$	$
Profit for the period	**81,778**	81,959
Income taxes	**26,977**	26,065
Financial expense	**30,126**	33,335
Depreciation and amortization	**117,097**	119,908
Integration, restructuring and acquisition costs	**392**	—
Adjusted EBITDA	**256,370**	261,267

14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February 28,	February 29,
(in thousands of dollars, except per share data)	**2017**	2016	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$	$	$
Revenue	**586,072**	583,088	578,519	572,045	599,654	574,005	586,417	578,450
Adjusted EBITDA	**256,370**	261,267	251,404	258,328	264,831	253,151	258,043	252,129
Integration, restructuring and acquisition costs	**392**	—	3,191	1,326	—	1,126	—	4,320
Claims and litigations	**—**	—	—	292	—	10,499	—	—
Impairment of goodwill and intangible asset	**—**	—	—	—	—	450,000	—	—
Gain on disposal of a subsidiary	**—**	—	—	(167)	—	—	—	(12,940)
Profit (loss) for the period	**81,778**	81,959	71,094	80,662	82,082	(381,886)	78,232	75,688
Profit (loss) for the period attributable to owners of the Corporation	**29,525**	30,765	22,312	29,792	30,043	(117,670)	25,865	33,330
Cash flow from operating activities	**2,329**	122,875	356,814	271,114	243,584	186,209	253,808	211,460
Acquisitions of property, plant and equipment, intangible and other assets	**96,309**	97,344	146,185	111,002	100,742	94,905	87,036	117,220
Free cash flow	**109,014**	109,333	51,841	88,028	109,639	91,934	119,461	77,172
Earnings (loss) per share[(1)]								
Basic	**1.80**	1.84	1.35	1.78	1.81	(7.03)	1.55	1.99
Diluted	**1.78**	1.83	1.34	1.78	1.80	(7.03)	1.54	1.98
Dividends per share	**0.39**	0.34	0.34	0.295	0.34	0.295	0.34	0.295
Weighted average number of multiple and subordinate voting shares outstanding	**16,430,596**	16,720,990	16,527,385	16,726,378	16,566,422	16,727,192	16,660,147	16,727,075

(1) Per multiple and subordinate voting share.

14.1 SEASONAL VARIATIONS

Cogeco's operating results are not generally subject to material seasonal fluctuations except as follows. In the Communications segment, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the United States, the Miami area is also subject to seasonal fluctuations due to the winter season residents returning home from late spring through the fall.

15. ADDITIONAL INFORMATION

This MD&A was prepared on January 10, 2018. 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/ Jan Peeters
Jan Peeters
Chairman of the Board

/s/ Louis Audet
Louis Audet
President and Chief Executive Officer

Cogeco Inc.
Montréal, Québec
January 10, 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three-month period ended November 30, 2017

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

		Three months ended November 30,	
	Notes	**2017**	2016
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*2*	**586,072**	583,088
Operating expenses	*3*	**329,702**	321,821
Integration, restructuring and acquisition costs	*2*	**392**	—
Depreciation and amortization	*4*	**117,097**	119,908
Financial expense	*5*	**30,126**	33,335
Income taxes	*6*	**26,977**	26,065
Profit for the period		**81,778**	81,959
Profit for the period attributable to:			
Owners of the Corporation		**29,525**	30,765
Non-controlling interest		**52,253**	51,194
		81,778	81,959
Earnings per share			
Basic	*7*	**1.80**	1.84
Diluted	*7*	**1.78**	1.83

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

	Three months ended November 30,	
	2017	2016
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**81,778**	81,959
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	**4,007**	1,027
Related income taxes	**(983)**	(272)
	3,024	755
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**23,170**	16,050
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(16,608)**	(13,733)
Related income taxes	**304**	(186)
	6,866	2,131
	9,890	2,886
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability	**2,315**	7,771
Related income taxes	**(614)**	(2,059)
	1,701	5,712
Other comprehensive income for the period	**11,591**	8,598
Comprehensive income for the period	**93,369**	90,557
Comprehensive income for the period attributable to:		
Owners of the Corporation	**33,854**	35,339
Non-controlling interest	**59,515**	55,218
	93,369	90,557

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

	Equity attributable to the 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 9)		*(Note 10)*			
Balance at August 31, 2016	116,489	7,349	27,109	352,397	940,830	1,444,174
Profit for the period	—	—	—	30,765	51,194	81,959
Other comprehensive income for the period	—	—	917	3,657	4,024	8,598
Comprehensive income for the period	—	—	917	34,422	55,218	90,557
Share-based payment	—	742	—	—	636	1,378
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(115)	—	—	1,927	1,812
Dividends on multiple voting shares (Note 9 C))	—	—	—	(627)	—	(627)
Dividends on subordinate voting shares (Note 9 C))	—	—	—	(5,066)	(14,410)	(19,476)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	221	(221)	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,247)	—	—	—	—	(2,247)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	1,553	(1,501)	—	(52)	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(3,436)	(3,436)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,157)	—	(66)	1,223	—
Total distributions to shareholders	(694)	(2,031)	—	(5,590)	(14,281)	(22,596)
Balance at November 30, 2016	115,795	5,318	28,026	381,229	981,767	1,512,135
Balance at August 31, 2017	**114,021**	**7,644**	**24,575**	**432,316**	**1,092,867**	**1,671,423**
Profit for the period	**—**	**—**	**—**	**29,525**	**52,253**	**81,778**
Other comprehensive income for the period	**—**	**—**	**3,134**	**1,195**	**7,262**	**11,591**
Comprehensive income for the period	**—**	**—**	**3,134**	**30,720**	**59,515**	**93,369**
Share-based payment	**—**	**1,277**	**—**	**—**	**1,137**	**2,414**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(129)**	**—**	**—**	**2,685**	**2,556**
Dividends on multiple voting shares (Note 9 C))	**—**	**—**	**—**	**(719)**	**—**	**(719)**
Dividends on subordinate voting shares (Note 9 C))	**—**	**—**	**—**	**(5,687)**	**(15,995)**	**(21,682)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**362**	**(362)**	**—**
Purchase and cancellation of subordinate voting shares	**(727)**	**—**	**—**	**(6,600)**	**—**	**(7,327)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,575)**	**—**	**—**	**—**	**—**	**(5,575)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,039**	**(2,031)**	**—**	**(8)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(9,352)**	**(9,352)**
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,217)**	**—**	**(26)**	**1,243**	**—**
Total distributions to shareholders	**(4,263)**	**(2,100)**	**—**	**(12,678)**	**(20,644)**	**(39,685)**
Balance at November 30, 2017	**109,758**	**5,544**	**27,709**	**450,358**	**1,131,738**	**1,725,107**

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

(In thousands of Canadian dollars)	*Notes*	November 30, 2017 $	August 31, 2017 $
Assets			
Current			
Cash and cash equivalents	*11 B)*	122,754	212,283
Short-term investments		34,000	54,000
Trade and other receivables		118,994	112,092
Income taxes receivable		11,577	4,277
Prepaid expenses and other		36,632	21,737
Derivative financial instrument		105	98
		324,062	404,487
Non-current			
Other assets		3,818	7,396
Property, plant and equipment		1,966,541	1,961,743
Intangible assets		2,074,043	2,058,220
Goodwill		1,065,196	1,042,009
Derivative financial instruments		4,567	759
Deferred tax assets		25,903	24,762
		5,464,130	5,499,376
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		31,356	3,801
Trade and other payables		226,533	337,667
Provisions		24,023	23,260
Income tax liabilities		37,628	103,650
Deferred and prepaid revenue		78,668	85,302
Balance due on a business combination		—	118
Derivative financial instruments		—	192
Current portion of long-term debt	*8*	190,547	131,935
		588,755	685,925
Non-current			
Long-term debt	*8*	2,468,350	2,479,421
Deferred and prepaid revenue and other liabilities		41,199	31,462
Pension plan liabilities and accrued employee benefits		4,627	7,709
Deferred tax liabilities		636,092	623,436
		3,739,023	3,827,953
Shareholders' equity			
Equity attributable to the owners of the Corporation			
Share capital	*9 B)*	109,758	114,021
Share-based payment reserve		5,544	7,644
Accumulated other comprehensive income	*10*	27,709	24,575
Retained earnings		450,358	432,316
		593,369	578,556
Equity attributable to non-controlling interest		1,131,738	1,092,867
		1,725,107	1,671,423
		5,464,130	5,499,376

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

		Three months ended November 30,	
	Notes	**2017**	2016
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the period		**81,778**	81,959
Adjustments for:			
Depreciation and amortization	*4*	**117,097**	119,908
Financial expense	*5*	**30,126**	33,335
Income taxes	*6*	**26,977**	26,065
Share-based payment	*9 D)*	**3,386**	1,673
Loss (gain) on disposals and write-offs of property, plant and equipment		**358**	(1,953)
Defined benefit plans contributions, net of expense		**(1,753)**	683
		257,969	261,670
Changes in non-cash operating activities	*11 A)*	**(116,322)**	(87,394)
Financial expense paid		**(41,367)**	(44,136)
Income taxes paid		**(97,951)**	(7,265)
		2,329	122,875
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(91,476)**	(91,812)
Acquisition of intangible and other assets		**(4,833)**	(5,532)
Redemption of a short-term investment		**20,000**	—
Business combination, net of cash and cash equivalents acquired		**—**	(804)
Proceeds on disposals of property, plant and equipment		**567**	8,185
		(75,742)	(89,963)
Cash flow from financing activities			
Increase in bank indebtedness		**27,555**	17,760
Net increase (decrease) under the revolving facilities		**4,502**	(31,095)
Repayments of long-term debt		**(6,994)**	(17,645)
Repayment of balance due on a business combination		**(118)**	—
Purchase and cancellation of subordinate voting shares		**(7,327)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*9 B)*	**(5,575)**	(2,247)
Dividends paid on multiple voting shares	*9 C)*	**(719)**	(627)
Dividends paid on subordinate voting shares	*9 C)*	**(5,687)**	(5,066)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**2,556**	1,812
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(9,352)**	(3,436)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(15,995)**	(14,410)
		(17,154)	(54,954)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**1,038**	754
Net change in cash and cash equivalents		**(89,529)**	(21,288)
Cash and cash equivalents, beginning of the period		**212,283**	68,344
Cash and cash equivalents, end of the period		**122,754**	47,056

NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation") is a diversified holding corporation which operates in the communications and media sectors.

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, the Corporation provides its residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Cogeco Communications operates in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in 11 states along the East Coast, from Maine to Florida. Through its subsidiary Cogeco Peer 1, Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud services and managed services), through its 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

Through its subsidiary Cogeco Media, the Corporation owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences as well as Cogeco News, its news agency.

During 2017, Cogeco Communications' subsidiary, Atlantic Broadband, announced it has entered into a definitive agreement with Harron Communications, L.P. to purchase all of its cable systems operating under the MetroCast brand name (“MetroCast”). The transaction was completed on January 4, 2018.

Cogeco is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". The subordinate voting shares of Cogeco Communications are also listed on the 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 of the information required for full annual financial statements. Certain information and footnote disclosure normally 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 2017 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2017 annual consolidated financial statements. 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 Communications segment, 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. The Corporation 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 United States, the Miami area is also subject to seasonal fluctuations due to the winter season residents returning home from late spring through the fall.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on January 10, 2018.

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

2. OPERATING SEGMENTS

The Corporation's segment profit for the period is reported in two operating segments: Communications and Other. 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 Communications segment provides through the Cogeco Communications subsidiary, its residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Cogeco Communications operates in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1, Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and managed services), through 16 data centres in Canada, the United States and Europe, extensive FastFiber Network® and more than 50 points of presence, including in Germany, the Netherlands and Mexico.

The Other segment is comprised of radio and head office activities, as well as inter-segment eliminations. Through its subsidiary, Cogeco Media, the Corporation owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences. Cogeco Media also operates Cogeco News, one of Québec's largest news agencies, feeding affiliates, independent and community radio stations.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on the segment's profit, which is equal to revenue less operating expenses and management fees to Cogeco Inc. The other expenses are reported by segment solely for external reporting purposes. Transactions between segments are measured at agreed to amounts between the parties.

	Three months ended November 30,					
	Communications		**Other**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Revenue (1)	**553,625**	549,090	**32,447**	33,998	**586,072**	583,088
Operating expenses	**301,415**	294,699	**28,287**	27,122	**329,702**	321,821
Management fees – Cogeco Inc.	**4,728**	4,688	**(4,728)**	(4,688)	**—**	—
Segment profit	**247,482**	249,703	**8,888**	11,564	**256,370**	261,267
Integration, restructuring and acquisition costs (2)	**392**	—	**—**	—	**392**	—
Depreciation and amortization	**116,310**	119,076	**787**	832	**117,097**	119,908
Financial expense	**29,482**	32,090	**644**	1,245	**30,126**	33,335
Income taxes	**24,829**	23,513	**2,148**	2,552	**26,977**	26,065
Profit for the period	**76,469**	75,024	**5,309**	6,935	**81,778**	81,959
Total assets (3)	**5,307,659**	5,348,380	**156,471**	150,996	**5,464,130**	5,499,376
Property, plant and equipment (3)	**1,952,672**	1,947,239	**13,869**	14,504	**1,966,541**	1,961,743
Intangible assets (3)	**1,994,125**	1,978,302	**79,918**	79,918	**2,074,043**	2,058,220
Goodwill (3)	**1,046,611**	1,023,424	**18,585**	18,585	**1,065,196**	1,042,009
Acquisition of property, plant and equipment	**91,325**	90,962	**151**	850	**91,476**	91,812
Acquisition of intangible and other assets	**4,833**	5,532	**—**	—	**4,833**	5,532

(1) For the three-month period ended November 30, 2017, revenue by geographic market includes $401,132 in Canada ($392,688 in 2016), $177,416 in the United States ($182,341 in 2016) and $7,524 in Europe ($8,059 in 2016).

(2) Comprised of due diligence and transaction costs at Atlantic Broadband, in connection with the Metrocast business combination completed on January 4, 2018.

(3) At November 30, 2017 and August 31, 2017.

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

The following tables set out certain geographic market information at November 30, 2017 and August 31, 2017:

				At November 30, 2017
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,424,801	510,650	31,090	1,966,541
Intangible assets	1,122,151	948,434	3,458	2,074,043
Goodwill	240,452	809,750	14,994	1,065,196

				At August 31, 2017
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,440,593	490,820	30,330	1,961,743
Intangible assets	1,124,909	929,565	3,746	2,058,220
Goodwill	240,452	787,633	13,924	1,042,009

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

3. OPERATING EXPENSES

	Three months ended November 30,	
	2017	2016
	$	$
Salaries, employee benefits and outsourced services	**109,076**	105,967
Service delivery costs (1)	**165,069**	165,324
Customer related costs (2)	**21,367**	19,664
Other external purchases (3)	**34,190**	30,866
	329,702	321,821

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

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment, and other administrative expenses.

4. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2017	2016
	$	$
Depreciation of property, plant and equipment	**101,915**	104,410
Amortization of intangible assets	**15,182**	15,498
	117,097	119,908

5. FINANCIAL EXPENSE

	Three months ended November 30,	
	2017	2016
	$	$
Interest on long-term debt	**30,658**	32,696
Net foreign exchange gains	**(971)**	(523)
Amortization of deferred transaction costs	**631**	631
Capitalized borrowing costs (1)	**(866)**	(654)
Other	**674**	1,185
	30,126	33,335

(1) For the three-month periods ended November 30, 2017 and 2016, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

6. INCOME TAXES

	Three months ended November 30,	
	2017	2016
	$	$
Current	**24,704**	23,923
Deferred	**2,273**	2,142
	26,977	26,065

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,	
	2017	2016
	$	$
Profit before income taxes	**108,755**	108,024
Combined Canadian income tax rate	**26.50%**	26.50%
Income taxes at combined Canadian income tax rate	**28,820**	28,626
Adjustment for losses or profit subject to lower or higher tax rates	**1,823**	3,074
Revaluation of deferred tax assets	**201**	376
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**(158)**	(1,552)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(70)**	(30)
Tax impacts related to foreign operations	**(4,045)**	(4,230)
Other	**406**	(199)
Income taxes at effective income tax rate	**26,977**	26,065

7. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2017	2016
	$	$
Profit for the period attributable to the owners of the Corporation	**29,525**	30,765
Weighted average number of multiple and subordinate voting shares outstanding	**16,430,596**	16,720,990
Effect of dilutive incentive share units	**53,285**	57,194
Effect of dilutive performance share units	**66,838**	44,953
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,550,719**	16,823,137
Earnings per share		
Basic	**1.80**	1.84
Diluted	**1.78**	1.83

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

8. LONG-TERM DEBT

	Maturity	Interest rate		November 30, 2017	August 31, 2017
		%		$	$
Corporation					
Term Revolving Facility [1]					
Revolving loan	February 2022	2.55		12,968	—
Unsecured Debentures	November 2021	6.50		34,831	34,822
Finance lease	February 2022	4.27		96	101
Subsidiaries [2]					
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		32,113	31,229
Series B - US$150 million	September 2026	4.29		192,621	187,325
Senior Secured Notes Series B	October 2018	7.60		54,940	54,922
Senior Secured Notes - US$215 million	June 2025	4.30		276,030	268,432
Senior Secured Debentures Series 2	November 2020	5.15		199,401	199,354
Senior Secured Debentures Series 3	February 2022	4.93		199,110	199,061
Senior Secured Debentures Series 4	May 2023	4.18		298,154	298,078
Senior Unsecured Debenture	March 2018	5.94		99,989	99,979
Senior Unsecured Notes – US$400 million	May 2020	4.88		512,521	498,141
First Lien Credit Facilities					
Term Loan A-2 Facility – US$91.9 million (US$94.4 million at August 31, 2017)	September 2019	3.22	(3) (4)	117,624	117,397
Term Loan A-3 Facility - US$115.3 million (US$118.4 million at August 31, 2017)	September 2019	3.22	(3)	147,366	147,073
Term Loan B Facility – US$355.4 million	December 2019	3.85	(3)	452,135	439,088
Revolving Facility – US$22.5 million (US$29 million at August 31, 2017)	September 2019	3.22	(3)	28,998	36,354
				2,658,897	2,611,356
Less current portion				190,547	131,935
				2,468,350	2,479,421

(1) On December 4, 2017, the Corporation amended its $50 million Term Revolving Facility resulting in the extension of the maturity date by an additional year until February 1, 2023.

(2) On December 11, 2017, the Corporation's subsidiary, Cogeco Communications, amended its Term Revolving Facility resulting in the extension of the maturity date by an additional year until January 24, 2023.

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

(4) A US subsidiary of Cogeco Communications entered into an interest rate swap agreement to fix the interest rate on a notional amount of US$75 million of its LIBOR based loans. This agreement has the effect of converting the floating US Libor base rate at a fixed rate of 0.9870% under the Term Loan A-2 Facility, until July 31, 2019. Taking into account this agreement, the effective interest rate on the Term Loan A-2 Facility is 2.93%.

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

9. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Preferred shares of first and second rank, issuable in series and non-voting, except when specified in the Articles of Incorporation of the Corporation or in the Law.

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	November 30, 2017	August 31, 2017
	$	$
1,812,860 multiple voting shares (1,842,860 at August 31, 2017)	12	12
14,690,897 subordinate voting shares (14,750,245 at August 31, 2017)	119,304	120,031
	119,316	120,043
61,775 subordinate voting shares held in trust under the Incentive Share Unit Plan (50,178 at August 31, 2017)	(4,263)	(2,590)
72,359 subordinate voting shares held in trust under the Performance Share Unit Plan (61,386 at August 31, 2017)	(5,295)	(3,432)
	109,758	114,021

During the first three months of fiscal 2018, multiple voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2017	1,842,860	12
Conversion of multiple voting shares into subordinate voting shares	(30,000)	—
Balance at November 30, 2017	1,812,860	12

During the first three months of fiscal 2018, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2017	14,750,245	120,031
Purchase and cancellation of subordinate voting shares (1)	(89,348)	(727)
Conversion of multiple voting shares into subordinate voting shares	30,000	—
Balance at November 30, 2017	14,690,897	119,304

(1) During the first three months of fiscal 2018, Cogeco purchased and canceled 89,348 subordinate voting shares with an average stated value of $0.7 million, for consideration of $7.3 million. The excess of the purchase price over the average stated value of the shares totaled $6.6 million and was charged to retained earnings.

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

During the first three months of fiscal 2018, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2017	50,178	2,590
Subordinate voting shares acquired	26,175	2,426
Subordinate voting shares distributed to employees	(14,578)	(753)
Balance at November 30, 2017	61,775	4,263

During the first three months of fiscal 2018, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2017	61,386	3,432
Subordinate voting shares acquired	33,979	3,149
Subordinate voting shares distributed to employees	(23,006)	(1,286)
Balance at November 30, 2017	72,359	5,295

C) DIVIDENDS

For the three-month period ended November 30, 2017, a quarterly eligible dividend of $0.39 per share was paid to the holders of multiple and subordinate voting shares, totaling $6.4 million, compared to a quarterly eligible dividend of $0.34 per share or $5.7 million for the three-month period ended November 30, 2016.

At its January 10, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.39 per share for multiple and subordinate voting shares, payable on February 7, 2018 to shareholders of record on January 24, 2018.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Communications, offer Employee Stock Purchase Plans for the benefit of their employees and those of their subsidiaries, and Stock Option Plans for their 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 and its subsidiary, Cogeco Communications, offer Incentive Share Unit Plans ("ISU Plans") and Performance Share Unit Plans ("PSU Plans") for their executive officers and designated employees, and Deferred Share Unit Plans ("DSU Plans") for members of the Board of Directors. A detailed description of these plans can be found in the 2017 annual consolidated financial statements of the Corporation.

For the three-month period ended November 30, 2017, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at November 30, 2017 and August 31, 2017.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at November 30, 2017:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2017	652,385	56.61
Granted (1)	279,550	85.20
Exercised (2)	(42,235)	60.51
Outstanding at November 30, 2017	889,700	65.41
Exercisable at November 30, 2017	282,819	49.92

(1) During the three-month period ended November 30, 2017, Cogeco Communications granted 124,625 stock options to Cogeco's executive officers as executive officers of Cogeco Communications.

(2) The weighted average share price for options exercised during the period was $87.22.

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

A compensation expense of $429,000 ($270,000 in 2016) was recorded for the three-month period ended November 30, 2017 related to this plan.

The weighted average fair value of stock options granted by Cogeco Communications for the three-month period ended November 30, 2017 was $13.40 ($8.91 in 2016) 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:

	2017	2016
	%	%
Expected dividend yield	2.23	2.52
Expected volatility	20.12	21.30
Risk-free interest rate	1.65	0.80
Expected life (in years)	6.0	6.1

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	50,178
Granted	26,175
Distributed	(14,578)
Outstanding at November 30, 2017	61,775

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	101,538
Granted (1)	47,625
Distributed	(31,565)
Cancelled	(1,554)
Outstanding at November 30, 2017	116,044

(1) During the three-month period ended November 30, 2017, Cogeco Communications did not grant any ISUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $760,000 ($724,000 in 2016) was recorded for the three-month period ended November 30, 2017 related to these plans.

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	61,142
Granted	28,750
Performance-based additional units granted	4,196
Distributed	(23,006)
Dividend equivalents	289
Outstanding at November 30, 2017	71,371

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

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	115,207
Granted [(1)]	65,250
Performance-based additional units granted	2,224
Distributed	(33,161)
Cancelled	(1,105)
Dividend equivalents	771
Outstanding at November 30, 2017	**149,186**

(1) During the three-month period ended November 30, 2017, Cogeco Communications granted 18,750 PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $1,225,000 ($384,000 in 2016) was recorded for the three-month period ended November 30, 2017 related to these plans.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	60,374
Dividend equivalents	246
Outstanding at November 30, 2017	**60,620**

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at November 30, 2017:

Outstanding at August 31, 2017	40,446
Dividend equivalents	210
Outstanding at November 30, 2017	**40,656**

A compensation expense of $972,000 ($295,000 in 2016) was recorded for the three-month period ended November 30, 2017 related to these plans.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2016	(47)	27,156	27,109
Other comprehensive income	240	677	917
Balance at November 30, 2016	193	27,833	28,026
Balance at August 31, 2017	130	24,445	24,575
Other comprehensive income	958	2,176	3,134
Balance at November 30, 2017	**1,088**	**26,621**	**27,709**

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

11. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2017	2016
	$	$
Trade and other receivables	**(7,229)**	(8,878)
Prepaid expenses and other	**(11,652)**	(8,381)
Trade and other payables	**(99,832)**	(72,887)
Provisions	**110**	1,879
Deferred and prepaid revenue and other liabilities	**2,281**	873
	(116,322)	(87,394)

B) CASH AND CASH EQUIVALENTS

	November 30, 2017	August 31, 2017
	$	$
Cash	**72,172**	163,320
Cash equivalents (1)	**50,582**	48,963
	122,754	212,283

(1) At November 30, 2017, comprised of a banker acceptance and a certificate of deposit, bearing interest between 1.19% to 1.40% and with maturity dates ranging from January 4th to January 22nd, 2018. At August 31, 2017, comprised of banker's acceptances and a certificate of deposit, bearing interest between 1.12% to 1.30% and with maturity dates ranging from September 21st to October 19th, 2017.

12. 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,	
	2017	2016
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**808**	903
Administrative expense	**93**	88
Recognized in financial expense (other)		
Net interest	**14**	54
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,925**	2,533
	3,840	3,578

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

13. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Liquidity risk

At November 30, 2017, the Corporation had used $13 million of its $50 million Term Revolving Facility and an amount of $25.2 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $37 million and $774.8 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $193.3 million (US $150 million), of which $31.3 million (US$24.3 million) was used at November 30, 2017 for a remaining availability of $162 million (US $125.7 million).

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2017, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' First Lien Credit Facilities.

To reduce such risk, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2017:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility
Cash flow (1)	US$500 million	US Libor base rate	2.017% - 2.094%	January 2023 - November 2024	Senior Secured Term Loan B (2)

(1) Forward starting interest rate swaps with a January 31, 2018 effective date.

(2) A US$1.7 billion Senior Secured Term Loan B was issued on January 4, 2018 to finance the MetroCast acquisition and also to refinance the existing Atlantic Broadband First Lien Credit Facilities.

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.7 million based on the outstanding debt at November 30, 2017.

Foreign exchange risk

Cogeco Communications 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 $7.4 million based on the outstanding debt at November 30, 2017.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into a foreign currency forward contract and designated it as a cash-flow hedge for accounting purposes. The following table shows the forward contract outstanding at November 30, 2017:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$4.9 million	January 2018	1.2662	Purchase commitments of property, plant and equipment

Furthermore, Cogeco Communications' net investments in foreign operations are exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. The risk related to the US dollar aggregate investments is mitigated since the major part was borrowed in US dollars.

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

The following table shows the net investments in foreign operations outstanding at November 30, 2017:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$910.6 million	Net investments in foreign operations in US dollar
N/A	£—	£27.6 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at November 30, 2017 was $1.2888 ($1.2536 at August 31, 2017) per US dollar and $1.7404 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $20.3 million.

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, 2017		August 31, 2017	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**2,658,897**	**2,767,267**	2,611,356	2,722,629

C) CAPITAL MANAGEMENT

At November 30, 2017 and August 31, 2017, the Corporation and Cogeco Communications were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

The following table summarizes certain of the key ratios used to monitor and manage the Corporation's capital structure:

	November 30, 2017	August 31, 2017
Net secured indebtedness (1) / adjusted EBITDA (2)	**1.8**	1.7
Net indebtedness (3) / adjusted EBITDA (2)	**2.5**	2.3
Adjusted EBITDA (2) / financial expense (2)	**7.7**	7.6

(1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents, short-term investments and principal on Unsecured Debentures, Senior Unsecured Debenture and Senior Unsecured Notes.

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended November 30, 2017 and August 31, 2017.

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

The following table summarizes certain of the key ratios used to monitor and manage Cogeco Communications's capital structure:

	November 30, 2017	August 31, 2017
Net secured indebtedness (1) / adjusted EBITDA (2)	**1.9**	1.7
Net indebtedness (3) / adjusted EBITDA (2)	**2.5**	2.3
Adjusted EBITDA (2) / financial expense (2)	**7.9**	7.8

(1) Net secured indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents, short-term investments and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended November 30, 2017 and August 31, 2017.

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

14. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and other services to Cogeco Communications under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. For the three-month periods ended November 30, 2017 and 2016, management fees paid to Cogeco amounted to $4.7 million.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the three-month period ended November 30, 2017, Cogeco Communications granted 124,625 (81,350 in 2016) stock options, did not grant any ISUs (nil in 2016) and granted 18,750 (12,150 in 2016) PSUs to these executive officers as executive officers of Cogeco Communications. During the three-month period ended November 30, 2017, Cogeco Communications charged Cogeco $194,000 ($163,000 in 2016), $1,000 ($33,000 in 2016) and $234,000 ($136,000 in 2016), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

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

15. SUBSEQUENT EVENT

Metrocast business combination

On January 4, 2018, Cogeco Communications announced that its subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast") which served about 125,000 Internet, 75,000 video and 36,000 telephony customers at November 30, 2017. This acquisition extends Atlantic Broadband's footprint across 11 states on the East Coast of the United States from Maine to Florida. The transaction valued at US$1.4 billion is subject to customary closing adjustments. This acquisition was financed through a combination of US$1.7 billion under a new Senior Secured Term Loan B, whereby US$583 million was used to refinance the existing First Lien Credit Facilities, and US$150 million under a new Senior Secured Revolving Credit facility combined with a US$315 million equity investment by Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband's holding company, representing 21% of Atlantic Broadband.

Purchase of a fibre network and corresponding assets

On December 30, 2017 Atlantic Broadband purchased several dark fibres throughout south Florida from FiberLight, LLC for a consideration of US$16.8 million. On the same day, Atlantic Broadband signed an Asset Purchase Agreement (''APA'') with FiberLight, LLC to acquire all of its fibre network and corresponding assets located on the East Coast of south Florida for a consideration of US$34 million, which is subject to regulatory approvals and customary closing adjustments.

US tax reform

On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017. This should reduce deferred income taxes and net deferred tax liabilities by approximately $89 million (US$69 million). These changes will be recognized during the three-month period ending February 28, 2018. The impact of the Act may differ from this estimate due to, among other things, changes in interpretations and assumptions the Corporation has made. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, are expected to favorably impact income tax expense in the future.

Interest rate swap agreements

In January 2018, a US subsidiary of Cogeco Communications has entered into four forward starting interest rate swap agreements on a notional amount totalling US$600 million. These agreements will have the effect of converting the floating US LIBOR base rate, excluding the applicable credit spread, at an average fixed rate of 2.19% starting on January 31, 2018, under the US$1.7 billion Senior Secured Term Loan B.

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	November 30, 2017	August 31, 2017	May 31, 2017	February 28, 2017	November 30, 2016
CONSOLIDATED					
Primary service units	**2,526,486**	2,527,882	2,534,925	2,536,876	2,527,602
Internet service customers	**1,054,346**	1,042,996	1,034,686	1,023,519	1,007,610
Video service customers	**948,778**	956,775	967,020	976,997	981,682
Telephony service customers	**523,362**	528,111	533,219	536,360	538,310
CANADA					
Primary service units	**1,915,454**	1,916,861	1,926,537	1,934,496	1,930,909
Internet service customers	**779,434**	769,869	764,350	759,152	749,275
Penetration as a percentage of homes passed	**44.9%**	44.5%	44.3%	44.2%	43.8%
Video service customers	**715,604**	720,636	729,701	737,975	740,855
Penetration as a percentage of homes passed	**41.2%**	41.6%	42.3%	42.9%	43.3%
Telephony service customers	**420,416**	426,356	432,486	437,369	440,779
Penetration as a percentage of homes passed	**24.2%**	24.6%	25.1%	25.5%	25.8%
UNITED STATES					
Primary service units	**611,032**	611,021	608,388	602,380	596,693
Internet service customers	**274,912**	273,127	270,336	264,367	258,335
Penetration as a percentage of homes passed	**46.2%**	45.9%	45.7%	44.7%	43.7%
Video service customers	**233,174**	236,139	237,319	239,022	240,827
Penetration as a percentage of homes passed	**39.2%**	39.7%	40.1%	40.4%	40.7%
Telephony service customers	**102,946**	101,755	100,733	98,991	97,531
Penetration as a percentage of homes passed	**17.3%**	17.1%	17.0%	16.7%	16.5%