cogeco

SHAREHOLDERS' REPORT

Three-month period ended November 30, 2018

FINANCIAL HIGHLIGHTS

	Three months ended				
	November 30, 2018	November 30, 2017 (1)	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of Canadian dollars, except percentages and per share data)	$	$	%	%	$
Operations					
Revenue	674,019	585,723	15.1	13.1	11,555
Adjusted EBITDA[(3)]	293,893	255,655	15.0	13.1	4,792
Integration, restructuring and acquisition costs[(4)]	7,034	392	—		
Profit for the period	79,145	81,695	(3.1)		
Profit for the period attributable to owners of the Corporation	26,168	29,499	(11.3)		
Cash Flow					
Cash flow from operating activities	111,779	1,466	—		
Acquisitions of property, plant and equipment[(5)]	113,057	95,446	18.5	15.7	2,649
Free cash flow[(3)]	119,310	109,162	9.3	8.6	727
Financial condition[(6)]					
Cash and cash equivalents	71,540	86,352	(17.2)		
Total assets	7,465,909	7,335,547	1.8		
Indebtedness[(7)]	4,089,875	3,951,791	3.5		
Equity attributable to owners of the Corporation	728,548	710,908	2.5		
Per Share Data[(8)]					
Earnings per share					
Basic	1.61	1.80	(10.6)		
Diluted	1.60	1.78	(10.1)		
Dividends	0.43	0.39	10.3		

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

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current period denominated in US dollars and GBP currency at the foreign exchange rates of the comparable period of the prior year. For the three-month period ended November 30, 2017, the average foreign exchange rates used for translation were 1.2552 USD/CDN and 1.6638 GBP/CDN, respectively.

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

(4) For the three-month period ended November 30, 2018, integration, restructuring and acquisition costs were mostly due to restructuring costs in the Canadian broadband services operations and were related to an employee reduction program. In addition, acquisition costs were related to the acquisition of 10 regional radio stations on November 26, 2018 by the Corporation's subsidiary, Cogeco Media. Fiscal 2018 first-quarter integration, restructuring and acquisition costs were related to acquisition and integration costs in anticipation of the MetroCast acquisition completed on January 4, 2018.

(5) For the three-month period ended November 30, 2018, acquisitions of property, plant and equipment in constant currency amounted to $110.4 million.

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

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

(8) Per multiple and subordinate voting shares.

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

Three-month period ended November 30, 2018

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco 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" and "Fiscal 2019 Financial Guidelines" sections of the Corporation's 2018 annual MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of Corporation's 2018 annual 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, 2018 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2018 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Inc.'s ("Cogeco" or the "Corporation") vision is to be a leading communications and technology services company through strong customer relations built on trust and reliability. As our customers are at the core of everything we do, we continuously seek to innovate 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)] on a constant currency basis[(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 to support loyalty and promote growth	Focusing on sustainable revenue growth
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Focusing on business services in the enterprise market with expanded sales channels, enhanced product offerings and aggressive market pricing strategy	Optimizing the use of current assets in order to optimize cash flows
Exploring a potential wireless service in a profitable manner and within our financial means	Building on initial successes in expanding the Florida market	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure
Investing in the development of our people	Improving our networks with state-of-the-art advanced technologies	Leveraging our global workforce

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 2018 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

MEDIA ACTIVITIES

Cogeco Media focuses on continuous improvement of its programming and opportunistic acquisitions in order to increase its market share and thereby its profitability.

2.1 KEY PERFORMANCE INDICATORS

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

REVENUE

Fiscal 2019 first-quarter revenue increased by 15.1% (13.1% in constant currency) mainly due to:

- a growth of 16.3% (14.2% in constant currency) in the Communications segment mostly resulting from the acquisition on January 4, 2018 of the MetroCast cable systems ("the MetroCast acquisition") in the American broadband services operations; partly offset by
- a decrease of 5.4% in the Other segment mainly from a soft advertising market and increased competition in the media activities.

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA increased by 15.0% (13.1% in constant currency) mostly attributable to an increase in the Communications segment as a result of the MetroCast acquisition in the American broadband services operations, partly offset by decreases in the Canadian broadband and Business ICT services operations.

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

FREE CASH FLOW

Fiscal 2019 first-quarter free cash flow increased by 9.3% (8.6% in constant currency) mainly as a result of:

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

3. BUSINESS DEVELOPMENTS AND OTHER

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

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

On December 3, 2018, the Corporation amended its $50 million Term Revolving Facility resulting in an increase in the availability to $100 million, and an extension of the maturity date by an additional year until February 1, 2024.

On November 26, 2018, the Corporation's subsidiary, Cogeco Media, completed the acquisition of 10 regional radio stations from RNC Média inc. ("the radio stations acquisition") and has expanded its network of radio stations to 22 across the province of Québec and 1 in Ontario. The transaction, valued at $19.2 million, is subject to closing adjustments and was approved on October 11, 2018 by the Canadian Radio-television and Telecommunications Commission ("CRTC").

On October 3, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition") which provides high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 350 route miles to Atlantic Broadband’s existing south Florida footprint.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Revenue	**674,019**	585,723	15.1	13.1	11,555
Operating expenses	**380,126**	330,068	15.2	13.1	6,763
Adjusted EBITDA	**293,893**	255,655	15.0	13.1	4,792

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/CDN.
(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the “Accounting policies” section.
(3) Fiscal 2019 actuals are translated at the average foreign exchange rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

REVENUE

Fiscal 2019 first-quarter revenue increased by 15.1% (13.1% in constant currency) compared to the same period of the prior year mainly due to:

- growth of 16.3% (14.2% in constant currency) in the Communications segment mostly as a result of the MetroCast acquisition; partly offset by
- a decrease of 5.4% in the Other segment resulting mainly from a soft advertising market and increased competition in the media activities.

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

OPERATING EXPENSES

Fiscal 2019 first-quarter operating expenses increased by 15.2% (13.1% in constant currency) compared to the same period of the prior year mostly attributable to the Communications segment.

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

ADJUSTED EBITDA

Fiscal 2019 first-quarter adjusted EBITDA increased by 15.0% (13.1% in constant currency) mostly attributable to the improvement in the Communications segment as a result of the MetroCast acquisition.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2019 first-quarter integration, restructuring and acquisition costs amounted to $7.0 million mostly due to restructuring costs in the Canadian broadband services operations from an employee reduction program. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed to create a leaner, more efficient and agile organization to accelerate its ongoing digital transformation. In addition, acquisition costs were related to the acquisition of 10 regional radio stations on November 26, 2018 by the Corporation's subsidiary, Cogeco Media.

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

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended		
	November 30, 2018	November 30, 2017 [(1)]	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation of property, plant and equipment	**124,618**	105,859	17.7
Amortization of intangible assets	**18,223**	10,610	71.8
Depreciation and amortization	**142,841**	116,469	22.6

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

Fiscal 2019 first-quarter depreciation and amortization expense increased by 22.6% mostly as a result of the MetroCast acquisition combined with the appreciation of the US dollar and British Pound against the Canadian dollar compared to the same period of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended		
	November 30, 2018	November 30, 2017	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	**45,982**	30,658	50.0
Net foreign exchange gains	**(484)**	(971)	(50.2)
Amortization of deferred transaction costs	**456**	631	(27.7)
Capitalized borrowing costs	**(120)**	(866)	(86.1)
Other	**719**	674	6.7
Financial expense	**46,553**	30,126	54.5

Fiscal 2019 first-quarter financial expense increased by 54.5% mainly as follows:

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

4.5 INCOME TAXES

	Three months ended		
	November 30, 2018	November 30, 2017 (1)	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	**97,465**	108,668	(10.3)
Combined Canadian income tax rate	**26.5%**	26.5%	—
Income taxes at combined Canadian income tax rate	**25,828**	28,797	(10.3)
Adjustment for losses or profit subject to lower or higher tax rates	**998**	1,823	(45.3)
Revaluation of deferred tax assets	**(490)**	201	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**—**	(158)	(100.0)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**—**	(70)	(100.0)
Tax impacts related to foreign operations	**(6,761)**	(4,045)	67.1
Other	**(1,255)**	425	—
Income taxes	**18,320**	26,973	(32.1)

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

Fiscal 2019 first-quarter income taxes expense decreased by 32.1% compared to the same period of the prior year mainly attributable to:

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

On November 21, 2018, the Canada Ministry of Finance released its 2018 Fall Economic Update, pursuant to which Canadian businesses will temporarily be allowed to accelerate tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018. Finance's announcement includes a phase out period from 2023 to 2028. The accelerated tax depreciation will have a favorable impact on the current income tax expense of the Corporation in fiscal 2019.

4.6 PROFIT FOR THE PERIOD

	Three months ended		
	November 30, 2018	November 30, 2017 (1)	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period	79,145	81,695	(3.1)
Profit for the period attributable to owners of the Corporation	26,168	29,499	(11.3)
Profit for the period attributable to non-controlling interest(2)	52,977	52,196	1.5
Basic earnings per share	1.61	1.80	(10.6)

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

(2) The non-controlling interest represents a participation of approximately 68.4% in Cogeco Communications' profit for the period attributable to owners of the Corporation in addition to a participation of 21% in Cogeco Communications' Atlantic Broadband subsidiary results.

Fiscal 2019 first-quarter profit for the period decreased by 3.1% as a result of:

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

Fiscal 2019 first-quarter profit for the period attributable to owners of the Corporation decreased by 11.3% mainly as the result of the equity investment by Caisse de dépot et placement du Québec ("CDPQ") in Cogeco Communications' Atlantic Broadband holding company, representing 21% of Atlantic Broadband, effective since the second quarter of fiscal 2018.

5. RELATED PARTY TRANSACTIONS

Cogeco holds 31.6% of Cogeco Communications’ equity shares, representing 82.2% of Cogeco Communications’ voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications (0.85% for the period prior to January 4, 2018). 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 2019 first-quarter management fees paid by Cogeco Communications Inc. amounted to $4.8 million compared to $4.7 million for the same period of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the first quarter of fiscal 2019, Cogeco Communications granted 97,725 (124,625 in 2018) stock options, did not grant any (nil in 2018) incentive share units (“ISUs”) and granted 14,625 (18,750 in 2018) performance share units (“PSUs”) to these executive officers as executive officers of Cogeco Communications. During the first quarter of fiscal 2019, Cogeco Communications charged Cogeco $298,000 ($194,000 in 2018), $15,000 ($1,000 in 2018) and $200,000 ($234,000 in 2018), respectively, with regards to Cogeco Communications’ stock options, ISUs and PSUs granted to these executive officers. During the first quarter of fiscal 2019, Cogeco Communications charged $260,000 to Cogeco for deferred share units ("DSUs") issued to directors of Cogeco.

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

6. CASH FLOW ANALYSIS

(in thousands of dollars, except percentages)	Three months ended November 30, 2018 $	November 30, 2017 (1) $	Change %
Cash flow from operating activities	111,779	1,466	—
Cash flow from investing activities	(168,730)	(74,879)	—
Cash flow from financing activities	42,240	(17,154)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(101)	1,038	—
Net change in cash and cash equivalents	(14,812)	(89,529)	(83.5)
Cash and cash equivalents, beginning of the period	86,352	212,283	(59.3)
Cash and cash equivalents, end of the period	71,540	122,754	(41.7)

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

6.1 OPERATING ACTIVITIES

Fiscal 2019 first-quarter cash flow from operating activities reached $111.8 million compared to $1.5 million for the same period of the prior year mainly from:

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

6.2 INVESTING ACTIVITIES

Fiscal 2019 first-quarter investing activities reached $168.7 million compared to $74.9 million for the same period of the prior year mainly due to:

- the acquisition, on October 3, 2018, of a fibre network and corresponding assets in south Florida from the FiberLight acquisition in the Communications segment;
- the radio stations acquisition on November 26, 2018;
- the increase in acquisitions of property, plant and equipment; and
- the redemption of short-term investments in the prior year.

BUSINESS COMBINATIONS IN FISCAL 2019

Acquisition of 10 regional radio stations

On November 26, 2018, Cogeco Media completed the acquisition of 10 regional radio stations (9 located in Québec and 1 in Ontario) from RNC Média inc. The transaction, valued at $19.2 million, was approved on October 11, 2018 by the CRTC.

Purchase of a fibre network and corresponding assets

On October 3, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC an industry leader in providing high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 350 route miles to Atlantic Broadband's existing south Florida footprint.

These acquisitions were accounted for using the purchase method and are subject to post closing adjustments. The preliminary allocation of the purchase price of each of these acquisitions is as follows:

			Preliminary
			November 30, 2018
	Radio stations	Fibre network	Total
	$	$	$
Purchase price			
Consideration paid at closing	17,174	38,876	56,050
Balance due on business combinations	2,000	5,005	7,005
	19,174	43,881	63,055
Net assets acquired			
Trade and other receivables	2,354	1,743	4,097
Prepaid expenses and other	31	335	366
Property, plant and equipment	1,337	45,769	47,106
Intangible assets	7,354	—	7,354
Goodwill	8,310	—	8,310
Trade and other payables assumed	(168)	(644)	(812)
Contract liabilities and other liabilities assumed	(44)	(3,322)	(3,366)
	19,174	43,881	63,055

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 18.5% (15.7% in constant currency) compared to the same period of fiscal 2018 mainly due to the increase of 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 2019 first-quarter free cash flow increased by 9.3% (8.6% in constant currency) compared to the same period of the prior year mainly as a result of the following:

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

FINANCING ACTIVITIES

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

	Three months ended			
	November 30, 2018	November 30, 2017	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Increase in bank indebtedness	**2,090**	27,555	(25,465)	Related to the timing of payments made to suppliers.
Net increase under the revolving facilities	**128,572**	4,502	124,070	Increased drawings of $65 million and of US$53 million under the Canadian Revolving Facility during the first quarter of fiscal 2019.
Repayments of long-term debt	**(60,658)**	(6,994)	(53,664)	Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018.
Repayment of balance due on a business combination	**—**	(118)	118	
	70,004	24,945	45,059	

DIVIDENDS

During the first quarter of fiscal 2019, a quarterly eligible dividend of $0.43 per share was paid to the holders of multiple and subordinate voting shares, totalling $7.0 million, compared to an eligible dividend paid of $0.39 per share, or $6.4 million in the first quarter of fiscal 2018.

NORMAL COURSE ISSUER BID

During the first quarter of fiscal 2019, Cogeco purchased and cancelled 60,790 subordinate voting shares with an average stated value of $0.5 million for a consideration of $3.6 million compared to 89,348 subordinate voting shares with an average stated value of $0.7 million, for a consideration of $7.3 million for the same period of the prior year.

6.4 DIVIDEND DECLARATION

At its January 10, 2019 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.43 per share for multiple voting and subordinate voting shares, payable on February 7, 2019 to shareholders of record on January 24, 2019. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. COMMUNICATIONS SEGMENT

7.1 OPERATING RESULTS

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	643,331	553,276	16.3	14.2	11,555
Operating expenses	352,993	301,781	17.0	14.7	6,763
Management fees – Cogeco Inc.	4,795	4,728	1.4	1.4	—
Adjusted EBITDA	285,543	246,767	15.7	13.8	4,792
Adjusted EBITDA margin	44.4%	44.6%			
Acquisitions of property, plant and equipment	112,465	95,295	18.0	15.2	2,649

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

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

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

REVENUE

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

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

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

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

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

- growth in the American broadband services operations mainly due to:
  - the MetroCast acquisition completed in the second quarter of fiscal 2018;
  - rate increases implemented in August 2018;
  - continued growth in Internet and telephony services customers;
  - the FiberLight acquisition completed on October 3, 2018; partly offset by
  - a decrease in video service customers.
- a decrease in the Canadian broadband services operations mainly as a result of:
  - a higher decline in primary service units from lower service activations mainly due to the stabilization phase following the migration to a new advanced customer management system in the second half of fiscal 2018; and
  - the impact of the timing of rate increases implemented in late November 2018 in both Ontario and Québec compared to September 2017 and November 2017, respectively, for the same period of the prior year; partly offset by
  - lower promotional pricing provided to customers.
- a decrease in the Business ICT services operations as a result of:
  - higher churn and continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

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

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

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

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

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

- additional costs in the American broadband services operations mainly due to:
  - MetroCast acquisition completed in the second quarter of fiscal 2018;
  - higher costs related to growing demands for higher Internet capacity packages;
  - the FiberLight acquisition; and
  - programming rate increases; partly offset by
  - the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma;
  - additional costs incurred in fiscal 2018 to support the continued Florida expansion and in anticipation of the MetroCast acquisition; and
  - lower marketing initiatives due to the timing of certain initiatives.
- higher operating expenses in the Canadian broadband services operations as a result of:
  - additional costs of $4.5 million to support the stabilization phase of the new advanced customer management system implemented in the third quarter of fiscal 2018; and
  - retroactive costs of $3.2 million related to higher rates than expected established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period of 2014 to 2018; partly offset by
  - lower programming costs as a result of lower primary service units.
- additional costs in Inter-segment eliminations and other resulting from efficiency projects and the timing of certain initiatives; partly offset by
- lower operating expenses in the Business ICT services operations resulting from:
  - lower facility costs as a result of cost saving initiatives; and
  - lower marketing expenses due to the timing of certain initiatives.

MANAGEMENT FEES

Fiscal 2019 first-quarter management fees paid to Cogeco Inc. remained essentially the same at $4.8 million compared to $4.7 million for the same period fiscal 2018. For further details on Cogeco Communications' management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

	Three months ended				
	November 30, 2018 (1)	November 30, 2017 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**163,139**	173,471	(6.0)	(5.7)	(409)
American broadband services	**117,276**	61,955	89.3	81.6	4,755
Business ICT services	**17,777**	19,763	(10.0)	(12.3)	453
Inter-segment eliminations and other	**(12,649)**	(8,422)	50.2	50.1	(7)
Adjusted EBITDA	**285,543**	246,767	15.7	13.8	4,792

(1) For the three-month period ended November 30, 2018, the average foreign exchange rates used for translation were 1.3082 USD/CDN and 1.6997 GPB/CDN.
(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy. For further details, please consult the "Accounting policies" section.
(3) Fiscal 2019 actuals are translated at the average foreign exchange rates of fiscal 2018 which were 1.2552 USD/CDN and 1.6638 GBP/CDN.

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

- an increase in the American broadband services operations mainly as a result of the MetroCast acquisition; partly offset by
- a decrease in the Canadian broadband services operations; and
- a decrease in the Business ICT services operations.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 first-quarter acquisitions of property, plant and equipment increased by 18.0% (15.2% in constant currency) mainly as follows:

- In the Canadian broadband services operations, acquisitions of property, plant and equipment increased by 19.9% (18.3% in constant currency) resulting from:
    - additional investments to improve the network infrastructure; and
    - higher purchases of customer premise equipment.

- In the American broadband services operations, acquisitions of property, plant and equipment increased by 17.9% (13.3% in constant currency) mainly due to:
    - additional capital expenditures related to the MetroCast acquisition; and
    - additional capital expenditures related to the expansion in Florida.

- In the Business ICT services operations, acquisitions of property, plant and equipment increased by 9.8% (7.7% in constant currency) due to:
    - additional investments to upgrade our network;
    - costs to build a third pod in the Kirkland data centre facility to service customer needs;
    - capital expenditures from the operational projects to optimize systems and processes; partly offset by
    - lower purchase of equipments to serve customers.

7.2 CUSTOMER STATISTICS

	November 30, 2018			Net additions (losses) Three months ended	
	Consolidated	Canada	United States	November 30, 2018	November 30, 2017
Primary service units[(1)(2)]	2,711,932	1,831,628	880,304	(39,451)	(939)
Internet service customers	1,204,602	778,996	425,606	(2,623)	11,350
Video service customers	988,398	675,699	312,699	(17,622)	(7,997)
Telephony service customers[(2)]	518,932	376,933	141,999	(19,206)	(4,292)

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

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

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

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 first-quarter net losses amounted to 2,623 compared to net additions of 11,350 for the same period of the prior year mainly explained by:

- contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- competitive offers in the industry; and
- the seasonal disconnects from the Maine and New Hampshire areas, which were added as part of the MetroCast acquisition in the United States; partly offset by
- additional connects from the Florida expansion and in the MetroCast footprint;
- the ongoing interest in high speed offerings and the sustained interest in bundle offers;
- the increased demand from Internet resellers in Canada; and
- growth in both the residential and business sectors in the United States.

VIDEO

Fiscal 2019 first-quarter net losses stood at 17,622 compared to 7,997 for the same period of the prior year mainly explained by:

- contact center congestion resulting from the implementation and stabilization of the new customer management system in Canada;
- highly competitive offers in the industry;
- the seasonal disconnects from the Maine and New Hampshire areas, which were added as part of the MetroCast acquisition in the United States; and
- a changing video consumption environment; partly offset by
- additional connects from the Florida expansion; and
- bundles with fast Internet offerings.

TELEPHONY

Fiscal 2019 first-quarter net losses stood at 19,206 compared to 4,292 for the same period of the prior year mainly explained by:

- technical issues with telephony activations following the implementation of the new customer management system in Canada which were resolved at the end of the first quarter;
- the increasing wireless penetration and various unlimited offers launched by wireless operators in Canada causing some customers to cancel their landline telephony services for wireless telephony services only; and
- a slower growth in the residential sector 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, 2018	August 31, 2018 (1)	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	71,540	86,352	(14,812)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	128,652	118,718	9,934	Mostly due to revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	36,042	25,697	10,345	Mostly related to income tax installments made during the first quarter of fiscal 2019 in the Canadian broadband services operations.
Prepaid expenses and other	42,185	30,444	11,741	Increase in prepayments for annual maintenance agreements.
Derivative financial instruments	1,422	1,330	92	Non significant.
	279,841	262,541	17,300	
Current liabilities				
Bank indebtedness	8,039	5,949	2,090	Non significant.
Trade and other payables	230,942	320,306	(89,364)	Timing of payments made to suppliers.
Provisions	26,704	26,137	567	Non significant.
Income tax liabilities	12,722	16,133	(3,411)	Related to the payment of income taxes installments during the first quarter of fiscal 2019.
Contract liabilities and other liabilities	65,297	59,967	5,330	Mostly related to the appreciation of the US dollar against the Canadian dollar.
Balance due on business combinations	7,187	—	7,187	Related to the FiberLight acquisition completed on October 3, 2018 and the radio stations acquisition completed on November 26, 2018.
Current portion of long-term debt	22,633	77,209	(54,576)	Mostly related to the reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018, partly offset by the appreciation of the US dollar against the Canadian dollar.
	373,524	505,701	(132,177)	
Working capital deficiency	(93,683)	(243,160)	149,477	

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

8.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2018 $	August 31, 2018 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	2,390,390	2,337,751	52,639	Mostly related to the FiberLight acquisition and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	3,031,725	3,007,306	24,419	Mostly related to the appreciation of the US dollar against the Canadian dollar and the radio stations acquisition, partly offset by amortization expense.
Goodwill	1,661,222	1,627,031	34,191	Mostly related to the appreciation of the US dollar against the Canadian dollar and the radio stations acquisition.
Non-current liabilities				
Long-term debt	4,002,186	3,817,935	184,251	Increased drawings of $65 million and of US$53 million and US$12.4 million under the revolving loan facilities during the first quarter of fiscal 2019 combined with the appreciation of the US dollar against the Canadian dollar.
Deferred tax liabilities	583,909	574,705	9,204	Mostly related to the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest	1,752,052	1,700,783	51,269	Mostly related to the participation of 68.4% in Cogeco Communications' profit for the period attributable to owners of the Corporation.

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

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at December 31, 2018 is presented in the table below. Additional details are provided in note 12 of the Condensed Interim Consolidated Financial Statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,812,860	12
Subordinate voting shares	14,513,645	117,864

8.4 FINANCING

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

At November 30, 2018, the Corporation had used $16.5 million of its $50 million Term Revolving Facility and an amount of $558.4 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $33.5 million and $241.6 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $199.5 million (US $150 million), of which $9.5 million (US$7.1 million) was used at November 30, 2018 for a remaining availability of $190.0 million (US$142.9 million).

8.5 COGECO COMMUNICATIONS CREDIT RATINGS

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

At November 30, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

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

8.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation 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, 2018, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $12.6 million based on the outstanding debt at November 30, 2018.

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

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 aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at November 30, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$703 million	US$983.6 million	Net investments in foreign operations in US dollar
N/A	£—	£23.8 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at November 30, 2018 was $1.3301 ($1.3055 at August 31, 2018) per US dollar and $1.6964 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.4 million.

8.7 FOREIGN CURRENCY

For the three-month period ended November 30, 2018, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

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

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

	Communications segment
Three month ended November 30, 2018	Exchange rate impact
(in thousands of dollars)	$
Revenue	11,555
Operating expenses	6,763
Management fees - Cogeco Inc.	—
Adjusted EBITDA	4,792
Acquisitions of property, plant and equipment	2,649
Free cash flow	727

9. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and 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, 2018, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2018.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2018 Annual Report, available at www.sedar.com and corpo.cogeco.com. There has been no significant change in the uncertainties and main risk factors faced by the Corporation since August 31, 2018.

11. ACCOUNTING POLICIES

11.1 CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

IMPACTS OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the period ended November 30, 2017, the year ended August 31, 2018 and the opening statement of financial position as at September 1, 2017 and 2018. The impact on the Corporation's consolidated financial statements of adopting these accounting policies is provided in note 2 of the the Condensed Interim Consolidated Financial Statements.

12. NON-IFRS FINANCIAL MEASURES

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS 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; and - Acquisition of property, plant and equipment.	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 4 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current period denominated in US dollars and GBP currency at the foreign exchange rates of the comparable period of the prior year. The average foreign exchange rates during the three-month period ended November 30, 2017 were 1.2552 USD/CDN and 1.6638 GBP/CDN.	No comparable IFRS measure

12.1 FREE CASH FLOW RECONCILIATION

	Three months ended	
	November 30, 2018	November 30, 2017 (1)
(in thousands of dollars)	$	$
Cash flow from operating activities	**111,779**	1,466
Amortization of deferred transaction costs and discounts on long-term debt	**2,153**	2,184
Changes in non-cash operating activities	**104,939**	116,470
Income taxes paid	**27,615**	97,951
Current income taxes	**(13,907)**	(24,704)
Financial expense paid	**46,341**	41,367
Financial expense	**(46,553)**	(30,126)
Acquisition of property, plant and equipment	**(113,057)**	(95,446)
Free cash flow	**119,310**	109,162

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

12.2 ADJUSTED EBITDA RECONCILIATION

	Three months ended	
	November 30, 2018	November 30, 2017 (1)
(in thousands of dollars)	$	$
Profit for the period	**79,145**	81,695
Income taxes	**18,320**	26,973
Financial expense	**46,553**	30,126
Depreciation and amortization	**142,841**	116,469
Integration, restructuring and acquisition costs	**7,034**	392
Adjusted EBITDA	**293,893**	255,655

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

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	November 30,		August 31,		May 31,		February 28,	
(in thousands of dollars, except per share data)	**2018**	2017[1]	2018[1]	2017	2018[1]	2017	2018[1]	2017
	$	$	$	$	$	$	$	$
Revenue	**674,019**	585,723	660,106	578,519	668,863	599,654	623,290	586,417
Adjusted EBITDA	**293,893**	255,655	289,168	251,404	296,458	264,831	272,236	258,043
Integration, restructuring and acquisition costs	**7,034**	392	1,812	3,191	2,260	—	15,999	—
Profit for the period	**79,145**	81,695	77,288	71,094	70,751	82,082	145,835	78,232
Profit for the period attributable to owners of the Corporation	**26,168**	29,499	25,165	22,312	25,155	30,043	46,618	25,865
Cash flow from operating activities	**111,779**	1,466	297,232	356,814	190,432	243,584	214,967	253,808
Acquisitions of property, plant and equipment	**113,057**	95,446	180,219	146,185	110,798	100,742	124,583	87,036
Free cash flow	**119,310**	109,162	57,945	51,841	116,643	109,639	67,879	119,461
Earnings per share[2]								
Basic	**1.61**	1.80	1.54	1.35	1.54	1.81	2.85	1.55
Diluted	**1.60**	1.78	1.53	1.34	1.52	1.80	2.82	1.54
Dividends per share	**0.43**	0.39	0.39	0.34	0.39	0.34	0.39	0.34

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

(2) Per multiple and subordinate voting share.

13.1 SEASONAL VARIATIONS

Cogeco'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 and New Hampshire/Maine areas are also subject to seasonal fluctuations due to the winter and summer seasons.

14. ADDITIONAL INFORMATION

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

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

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

Cogeco Inc.
Montréal, Québec
January 10, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2018

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

(In thousands of Canadian dollars, except per share data)	*Notes*	Three months ended November 30, 2018 $	2017 $ (restated, Note 2)
Revenue	*3*	**674,019**	585,723
Operating expenses	*6*	**380,126**	330,068
Integration, restructuring and acquisition costs	*4*	**7,034**	392
Depreciation and amortization	*7*	**142,841**	116,469
Financial expense	*8*	**46,553**	30,126
Profit before income taxes		**97,465**	108,668
Income taxes	*9*	**18,320**	26,973
Profit for the period		**79,145**	81,695
Profit for the period attributable to:			
Owners of the Corporation		**26,168**	29,499
Non-controlling interest		**52,977**	52,196
		79,145	81,695
Earnings per share			
Basic	*10*	**1.61**	1.80
Diluted	*10*	**1.60**	1.78

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

	Three months ended November 30,	
	2018	2017
(In thousands of Canadian dollars)	**$**	$
		(restated, Note 2)
Profit for the period	**79,145**	81,695
Other comprehensive income		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**2,733**	4,007
Related income taxes	**(725)**	(983)
	2,008	3,024
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**32,083**	23,376
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(17,271)**	(16,608)
Related income taxes	**—**	304
	14,812	7,072
	16,820	10,096
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability or asset	**(2,590)**	2,315
Related income taxes	**756**	(614)
	(1,834)	1,701
	14,986	11,797
Comprehensive income for the period	**94,131**	93,492
Comprehensive income for the period attributable to:		
Owners of the Corporation	**28,153**	33,892
Non-controlling interest	**65,978**	59,600
	94,131	93,492

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

	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 12)		*(restated, Note 2)* *(Note 13)*	*(restated, Note 2)*	*(restated, Note 2)*	*(restated, Note 2)*
Balance at August 31, 2017	114,021	7,644	24,575	440,516	1,110,538	1,697,294
Profit for the period	—	—	—	29,499	52,196	81,695
Other comprehensive income for the period	—	—	3,198	1,195	7,404	11,797
Comprehensive income for the period	—	—	3,198	30,694	59,600	93,492
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 (Note 12 C))	—	—	—	(6,406)	(15,995)	(22,401)
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	27,773	458,532	1,149,494	1,751,101
Balance at August 31, 2018	**108,838**	**9,147**	**36,335**	**556,588**	**1,700,783**	**2,411,691**
Profit for the period	—	—	—	26,168	52,977	79,145
Other comprehensive income (loss) for the period	—	—	3,276	(1,291)	13,001	14,986
Comprehensive income for the period	—	—	3,276	24,877	65,978	94,131
Share-based payment	—	1,335	—	—	1,207	2,542
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(47)	—	—	591	544
Dividends (Note 12 C))	—	—	—	(6,979)	(17,683)	(24,662)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	(22)	22	—
Purchase and cancellation of subordinate voting shares	(494)	—	—	(3,152)	—	(3,646)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,586	(1,897)	—	(689)	—	—
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,054)	—	(100)	1,154	—
Total contributions by (distributions to) shareholders	2,092	(1,663)	—	(10,942)	(14,709)	(25,222)
Balance at November 30, 2018	**110,930**	**7,484**	**39,611**	**570,523**	**1,752,052**	**2,480,600**

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

(In thousands of Canadian dollars)	Notes	November 30, 2018 $	August 31, 2018 $	September 1, 2017 $
			(restated, Note 2)	(restated, Note 2)
Assets				
Current				
Cash and cash equivalents		71,540	86,352	212,283
Short-term investments		—	—	54,000
Trade and other receivables		128,652	118,718	112,092
Income taxes receivable		36,042	25,697	4,277
Prepaid expenses and other		42,185	30,444	21,737
Derivative financial instruments		1,422	1,330	98
		279,841	262,541	404,487
Non-current				
Other assets		44,972	42,949	36,235
Property, plant and equipment		2,390,390	2,337,751	1,985,366
Intangible assets		3,031,725	3,007,306	2,016,683
Goodwill		1,661,222	1,627,031	1,042,009
Derivative financial instruments		36,644	33,797	759
Pension plan assets		3,357	6,858	—
Deferred tax assets		17,758	17,314	24,762
		7,465,909	7,335,547	5,510,301
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness		8,039	5,949	3,801
Trade and other payables		230,942	320,306	337,667
Provisions		26,704	26,137	23,260
Income tax liabilities		12,722	16,133	103,650
Contract liabilities and other liabilities		65,297	59,967	76,964
Balance due on business combinations		7,187	—	118
Derivative financial instruments		—	—	192
Current portion of long-term debt	11	22,633	77,209	131,935
		373,524	505,701	677,587
Non-current				
Long-term debt	11	4,002,186	3,817,935	2,479,421
Contract liabilities and other liabilities		20,390	20,125	12,992
Pension plan liabilities and accrued employee benefits		5,300	5,390	7,709
Deferred tax liabilities		583,909	574,705	635,298
		4,985,309	4,923,856	3,813,007
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	12 B)	110,930	108,838	114,021
Share-based payment reserve		7,484	9,147	7,644
Accumulated other comprehensive income	13	39,611	36,335	24,575
Retained earnings		570,523	556,588	440,516
		728,548	710,908	586,756
Equity attributable to non-controlling interest		1,752,052	1,700,783	1,110,538
		2,480,600	2,411,691	1,697,294
		7,465,909	7,335,547	5,510,301

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

		Three months ended November 30,	
	Notes	**2018**	2017
(In thousands of Canadian dollars)		**$**	$
			(restated, Note 2)
Cash flow from operating activities			
Profit for the period		**79,145**	81,695
Adjustments for:			
Depreciation and amortization	*7*	**142,841**	116,469
Financial expense	*8*	**46,553**	30,126
Income taxes	*9*	**18,320**	26,973
Share-based payment	*12 D)*	**2,451**	3,386
Loss on disposals and write-offs of property, plant and equipment		**410**	358
Defined benefit plans contributions, net of expense		**954**	(1,753)
		290,674	257,254
Changes in non-cash operating activities	*14 A)*	**(104,939)**	(116,470)
Financial expense paid		**(46,341)**	(41,367)
Income taxes paid		**(27,615)**	(97,951)
		111,779	1,466
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(113,057)**	(95,446)
Redemption of a short-term investment		**—**	20,000
Business combinations	*5*	**(56,050)**	—
Proceeds on disposals of property, plant and equipment		**377**	567
		(168,730)	(74,879)
Cash flow from financing activities			
Increase in bank indebtedness		**2,090**	27,555
Net increase under the revolving facilities		**128,572**	4,502
Repayments of long-term debt		**(60,658)**	(6,994)
Repayment of balance due on a business combination		**—**	(118)
Purchase and cancellation of subordinate voting shares		**(3,646)**	(7,327)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*12 B)*	**—**	(5,575)
Dividends paid on multiple voting shares	*12 C)*	**(780)**	(719)
Dividends paid on subordinate voting shares	*12 C)*	**(6,199)**	(5,687)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**544**	2,556
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)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(17,683)**	(15,995)
		42,240	(17,154)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(101)**	1,038
Net change in cash and cash equivalents		**(14,812)**	(89,529)
Cash and cash equivalents, beginning of the period		**86,352**	212,283
Cash and cash equivalents, end of the period		**71,540**	122,754

NATURE OF OPERATIONS

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

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

Its Cogeco Media subsidiary owns and operates 23 radio stations with complementary radio formats and extensive coverage serving a wide range of audiences mainly across the province of Québec, as well as Cogeco News, a news agency.

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 2018 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2018 annual consolidated financial statements, unless as mentioned in Note 2. Certain comparative figures have been restated to conform to the presentation adopted for the three-month period ended November 30, 2018, and to reflect the retrospective application of the newly adopted accounting policies. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the 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 and New Hampshire/Maine areas are also subject to seasonal fluctuations.

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

2. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

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

IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three-month period ended November 30, 2017, the year ended August 31, 2018 and the consolidated statements of financial position as at August 31, 2018 and September 1, 2017. The impact on the Corporation's consolidated financial statements of adopting these accounting policies is provided below.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Three months ended November 30, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	586,072	(349)	—	585,723
Operating expenses	329,702	1,621	(1,255)	330,068
Integration, restructuring and acquisition costs	392	—	—	392
Depreciation and amortization	117,097	(1,972)	1,344	116,469
Financial expense	30,126	—	—	30,126
Profit before income taxes	108,755	2	(89)	108,668
Income taxes	26,977	20	(24)	26,973
Profit for the period	81,778	(18)	(65)	81,695
Profit for the period attributable to:				
Owners of the Corporation	29,525	(6)	(20)	29,499
Non-controlling interest	52,253	(12)	(45)	52,196
	81,778	(18)	(65)	81,695
Earnings per share				
Basic	1.80	—	—	1.80
Diluted	1.78	—	—	1.78

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	2,538,175	(193)	—	2,537,982
Operating expenses	1,423,898	5,046	(4,479)	1,424,465
Integration, restructuring and acquisition costs	20,463	—	—	20,463
Depreciation and amortization	536,671	(8,492)	4,883	533,062
Financial expense	185,284	—	—	185,284
Profit before income taxes	371,859	3,253	(404)	374,708
Income taxes	146	(1,129)	122	(861)
Profit for the year	371,713	4,382	(526)	375,569
Profit for the year attributable to:				
Owners of the Corporation	125,271	1,325	(159)	126,437
Non-controlling interest	246,442	3,057	(367)	249,132
	371,713	4,382	(526)	375,569
Earnings per share				
Basic	7.65	0.08	(0.01)	7.72
Diluted	7.59	0.08	(0.01)	7.66

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Assets				
Current				
Cash and cash equivalents	86,352	—	—	86,352
Trade and other receivables	118,718	—	—	118,718
Income taxes receivable	25,697	—	—	25,697
Prepaid expenses and other	30,444	—	—	30,444
Derivative financial instrument	1,330	—	—	1,330
	262,541	—	—	262,541
Non-current				
Other assets	7,621	35,328	—	42,949
Property, plant and equipment	2,316,749	(8,692)	29,694	2,337,751
Intangible assets	3,051,006	(16,801)	(26,899)	3,007,306
Goodwill	1,627,031	—	—	1,627,031
Derivative financial instruments	33,797	—	—	33,797
Pension plan assets	6,858	—	—	6,858
Deferred tax assets	17,314	—	—	17,314
	7,322,917	9,835	2,795	7,335,547
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness	5,949	—	—	5,949
Trade and other payables	320,306	—	—	320,306
Provisions	26,137	—	—	26,137
Income tax liabilities	16,133	—	—	16,133
Contract liabilities and other liabilities	68,010	(8,043)	—	59,967
Current portion of long-term debt	77,209	—	—	77,209
	513,744	(8,043)	—	505,701
Non-current				
Long-term debt	3,817,935	—	—	3,817,935
Contract liabilities and other liabilities	40,560	(20,435)	—	20,125
Pension plan liabilities and accrued employee benefits	5,390	—	—	5,390
Deferred tax liabilities	563,677	10,079	949	574,705
	4,941,306	(18,399)	949	4,923,856
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	108,838	—	—	108,838
Share-based payment reserve	9,147	—	—	9,147
Accumulated other comprehensive income	36,248	87	—	36,335
Retained earnings	547,222	8,774	592	556,588
	701,455	8,861	592	710,908
Equity attributable to non-controlling interest	1,680,156	19,373	1,254	1,700,783
	2,381,611	28,234	1,846	2,411,691
	7,322,917	9,835	2,795	7,335,547

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

As at September 1, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Assets				
Current				
Cash and cash equivalents	212,283	—	—	212,283
Short-term investments	54,000	—	—	54,000
Trade and other receivables	112,092	—	—	112,092
Income taxes receivable	4,277	—	—	4,277
Prepaid expenses and other	21,737	—	—	21,737
Derivative financial instrument	98	—	—	98
	404,487	—	—	404,487
Non-current				
Other assets	7,396	28,839	—	36,235
Property, plant and equipment	1,961,743	(6,258)	29,881	1,985,366
Intangible assets	2,058,220	(14,850)	(26,687)	2,016,683
Goodwill	1,042,009	—	—	1,042,009
Derivative financial instruments	759	—	—	759
Deferred tax assets	24,762	—	—	24,762
	5,499,376	7,731	3,194	5,510,301
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness	3,801	—	—	3,801
Trade and other payables	337,667	—	—	337,667
Provisions	23,260	—	—	23,260
Income tax liabilities	103,650	—	—	103,650
Contract liabilities and other liabilities	85,302	(8,338)	—	76,964
Balance due on a business combination	118	—	—	118
Derivative financial instruments	192	—	—	192
Current portion of long-term debt	131,935	—	—	131,935
	685,925	(8,338)	—	677,587
Non-current				
Long-term debt	2,479,421	—	—	2,479,421
Contract liabilities and other liabilities	31,462	(18,470)	—	12,992
Pension plan liabilities and accrued employee benefits	7,709	—	—	7,709
Deferred tax liabilities	623,436	11,016	846	635,298
	3,827,953	(15,792)	846	3,813,007
Shareholders' equity				
Equity attributable to the owners of the Corporation				
Share capital	114,021	—	—	114,021
Share-based payment reserve	7,644	—	—	7,644
Accumulated other comprehensive income	24,575	—	—	24,575
Retained earnings	432,316	7,449	751	440,516
	578,556	7,449	751	586,756
Equity attributable to non-controlling interest	1,092,867	16,074	1,597	1,110,538
	1,671,423	23,523	2,348	1,697,294
	5,499,376	7,731	3,194	5,510,301

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended November 30, 2017	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period	81,778	(18)	(65)	81,695
Adjustments for:				
Depreciation and amortization	117,097	(1,972)	1,344	116,469
Financial expense	30,126	—	—	30,126
Income taxes	26,977	20	(24)	26,973
Share-based payment	3,386	—	—	3,386
Loss on disposals and write-offs of property, plant and equipment	358	—	—	358
Defined benefit plans contributions, net of expense	(1,753)	—	—	(1,753)
	257,969	(1,970)	1,255	257,254
Changes in non-cash operating activities	(116,322)	(148)	—	(116,470)
Financial expense paid	(41,367)	—	—	(41,367)
Income taxes paid	(97,951)	—	—	(97,951)
	2,329	(2,118)	1,255	1,466
Cash flow from investing activities				
Acquisition of property, plant and equipment	(91,476)	361	(4,331)	(95,446)
Acquisition of intangible and other assets	(4,833)	1,757	3,076	—
Redemption of a short-term investment	20,000	—	—	20,000
Proceeds on disposals of property, plant and equipment	567	—	—	567
	(75,742)	2,118	(1,255)	(74,879)
Cash flow from financing activities				
Increase in bank indebtedness	27,555	—	—	27,555
Net increase under the revolving facilities	4,502	—	—	4,502
Repayments of long-term debt	(6,994)	—	—	(6,994)
Repayment of balance due on a business combination	(118)	—	—	(118)
Purchase and cancellation of subordinate voting shares	(7,327)	—	—	(7,327)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,575)	—	—	(5,575)
Dividends paid on multiple voting shares	(719)	—	—	(719)
Dividends paid on subordinate voting shares	(5,687)	—	—	(5,687)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	2,556	—	—	2,556
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)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	(15,995)	—	—	(15,995)
	(17,154)	—	—	(17,154)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1,038	—	—	1,038
Net change in cash and cash equivalents	(89,529)	—	—	(89,529)
Cash and cash equivalents, beginning of the period	212,283	—	—	212,283
Cash and cash equivalents, end of the period	122,754	—	—	122,754

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

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the year	371,713	4,382	(526)	375,569
Adjustments for:				
Depreciation and amortization	536,671	(8,492)	4,883	533,062
Financial expense	185,284	—	—	185,284
Income taxes	146	(1,129)	122	(861)
Share-based payment	7,657	—	—	7,657
Loss on disposals and write-offs of property, plant and equipment	1,298	—	—	1,298
Defined benefit plans contributions, net of expense	(249)	—	—	(249)
	1,102,520	(5,239)	4,479	1,101,760
Changes in non-cash operating activities	(28,577)	(6,872)	—	(35,449)
Financial expense paid	(180,577)	—	—	(180,577)
Income taxes paid	(181,637)	—	—	(181,637)
	711,729	(12,111)	4,479	704,097
Cash flow from investing activities				
Acquisition of property, plant and equipment	(498,392)	3,631	(16,285)	(511,046)
Acquisition of intangible and other assets	(20,286)	8,480	11,806	—
Acquisition of Spectrum licenses	(32,306)	—	—	(32,306)
Redemption of short-term investments	54,000	—	—	54,000
Business combination, net of cash and cash equivalents acquired	(1,756,935)	—	—	(1,756,935)
Proceeds on disposals of property, plant and equipment	2,034	—	—	2,034
	(2,251,885)	12,111	(4,479)	(2,244,253)
Cash flow from financing activities				
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	386,563	—	—	386,563
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(1,329,064)	—	—	(1,329,064)
Increase in deferred transaction costs	(3,200)	—	—	(3,200)
Repayment of balance due on a business combination	(118)	—	—	(118)
Purchase and cancellation of subordinate voting shares	(14,647)	—	—	(14,647)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,575)	—	—	(5,575)
Dividends paid on multiple voting shares	(2,840)	—	—	(2,840)
Dividends paid on subordinate voting shares	(22,699)	—	—	(22,699)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	3,486	—	—	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	388,907	—	—	388,907
Acquisition 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)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	(63,886)	—	—	(63,886)
	1,412,131	—	—	1,412,131
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	2,094	—	—	2,094
Net change in cash and cash equivalents	(125,931)	—	—	(125,931)
Cash and cash equivalents, beginning of the year	212,283	—	—	212,283
Cash and cash equivalents, end of the year	86,352	—	—	86,352

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

3. REVENUE

					Three months ended November 30,	
		Communications		**Other**		**Consolidated**
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Revenue						
Residential (1)	**507,649**	428,810	**—**	—	**507,649**	428,810
Commercial (2)	**128,209**	118,350	**—**	—	**128,209**	118,350
Other (3)	**7,473**	6,116	**30,688**	32,447	**38,161**	38,563
Total	**643,331**	553,276	**30,688**	32,447	**674,019**	585,723

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.
(2) Includes revenue from Internet, video and telephony commercial customers, as well as colocation, network connectivity, hosting, cloud and managed services customers.
(3) Includes advertising revenue, late fees, rental income and other miscellaneous revenue.

4. 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 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 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 23 radio stations 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.

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

	Communications		Other		Consolidated	
	Three months ended November 30,					
	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$
		(restated, Note 2)				*(restated, Note 2)*
Revenue [(1)]	643,331	553,276	30,688	32,447	674,019	585,723
Operating expenses	352,993	301,781	27,133	28,287	380,126	330,068
Management fees – Cogeco Inc.	4,795	4,728	(4,795)	(4,728)	—	—
Segment profit	285,543	246,767	8,350	8,888	293,893	255,655
Integration, restructuring and acquisition costs [(2)]	5,713	392	1,321	—	7,034	392
Depreciation and amortization	141,913	115,682	928	787	142,841	116,469
Financial expense	45,949	29,482	604	644	46,553	30,126
Profit before income taxes	91,968	101,211	5,497	7,457	97,465	108,668
Income taxes	16,784	24,825	1,536	2,148	18,320	26,973
Profit for the period	75,184	76,386	3,961	5,309	79,145	81,695
Total assets [(3)]	7,288,866	7,180,043	177,043	155,504	7,465,909	7,335,547
Property, plant and equipment [(3)]	2,375,314	2,323,678	15,076	14,073	2,390,390	2,337,751
Intangible assets [(3)]	2,944,453	2,927,388	87,272	79,918	3,031,725	3,007,306
Goodwill [(3)]	1,634,327	1,608,446	26,895	18,585	1,661,222	1,627,031
Acquisition of property, plant and equipment	112,465	95,295	592	151	113,057	95,446

(1) For the three-month period ended November 30, 2018, revenue by geographic market includes $393,053 in Canada ($401,077 in 2017), $272,933 in the United States ($177,122 in 2017) and $8,033 in Europe ($7,524 in 2017).

(2) For the three-month period ended November 30, 2018, comprised of integration, restructuring and acquisition costs within the Communications segment and acquisition costs in the Other segment in connection with the business combination described in Note 5. For the three-month period ended November 30, 2017, comprised of due diligence and acquisition costs related to the MetroCast acquisition completed on January 4, 2018.

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

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

				At November 30, 2018
	Canada	**United States**	**Europe**	**Total**
	$	$	$	$
Property, plant and equipment	1,445,467	919,598	25,325	2,390,390
Intangible assets	1,125,173	1,906,172	380	3,031,725
Goodwill	248,762	1,397,844	14,616	1,661,222

				At August 31, 2018
	Canada	United States	Europe	Total
	$	$	$	$
	(restated, Note 2)	*(restated, Note 2)*	*(restated, Note 2)*	*(restated, Note 2)*
Property, plant and equipment	1,450,686	860,411	26,654	2,337,751
Intangible assets	1,120,855	1,885,504	947	3,007,306
Goodwill	240,452	1,371,992	14,587	1,627,031

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

5. BUSINESS COMBINATIONS

Acquisition of 10 regional radio stations

On November 26, 2018, Cogeco Media completed the acquisition of 10 regional radio stations (9 located in Québec and 1 in Ontario) from RNC Média inc. The transaction, valued at $19.2 million, was approved on October 11, 2018 by the Canadian Radio-television and Telecommunications Commission.

Purchase of a fibre network and corresponding assets

On October 3, 2018, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC an industry leader in providing high-performance metro and long-haul fibre transport services. The closing of this deal marks the addition of 350 route miles to Atlantic Broadband's existing south Florida footprint.

These acquisitions were accounted for using the purchase method and are subject to post closing adjustments. The preliminary allocation of the purchase price of each of these acquisitions is as follows:

			Preliminary
			November 30, 2018
	Radio stations	Fibre network	Total
	$	$	$
Purchase price			
Consideration paid at closing	17,174	38,876	56,050
Balance due on business combinations	2,000	5,005	7,005
	19,174	43,881	63,055
Net assets acquired			
Trade and other receivables	2,354	1,743	4,097
Prepaid expenses and other	31	335	366
Property, plant and equipment	1,337	45,769	47,106
Intangible assets	7,354	—	7,354
Goodwill	8,310	—	8,310
Trade and other payables assumed	(168)	(644)	(812)
Contract liabilities and other liabilities assumed	(44)	(3,322)	(3,366)
	19,174	43,881	63,055

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

6. OPERATING EXPENSES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Salaries, employee benefits and outsourced services	**124,433**	109,442
Service delivery costs (1)	**192,267**	165,069
Customer related costs (2)	**24,903**	21,367
Other external purchases (3)	**38,523**	34,190
	380,126	330,068

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

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

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

7. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Depreciation of property, plant and equipment	**124,618**	105,859
Amortization of intangible assets	**18,223**	10,610
	142,841	116,469

8. FINANCIAL EXPENSE

	Three months ended November 30,	
	2018	2017
	$	$
Interest on long-term debt	**45,982**	30,658
Net foreign exchange gains	**(484)**	(971)
Amortization of deferred transaction costs	**456**	631
Capitalized borrowing costs (1)	**(120)**	(866)
Other	**719**	674
	46,553	30,126

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

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

9. INCOME TAXES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Current	**13,907**	24,704
Deferred	**4,413**	2,269
	18,320	26,973

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

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Profit before income taxes	**97,465**	108,668
Combined Canadian income tax rate	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**25,828**	28,797
Adjustment for losses or profit subject to lower or higher tax rates	**998**	1,823
Revaluation of deferred tax assets	**(490)**	201
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**—**	(158)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**—**	(70)
Tax impacts related to foreign operations	**(6,761)**	(4,045)
Other	**(1,255)**	425
Income taxes at effective income tax rate	**18,320**	26,973

10. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Profit for the period attributable to owners of the Corporation	**26,168**	29,499
Weighted average number of multiple and subordinate voting shares outstanding	**16,230,028**	16,430,596
Effect of dilutive incentive share units	**61,433**	53,285
Effect of dilutive performance share units	**72,372**	66,838
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,363,833**	16,550,719
Earnings per share		
Basic	**1.61**	1.80
Diluted	**1.60**	1.78

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

11. LONG-TERM DEBT

	Maturity	Interest rate		November 30, 2018	August 31, 2018
		%		$	$
Corporation					
Term Revolving Facility [1]					
Revolving loan - US$12.4 million [2]	February 2023	3.62	(6)	16,492	1,995
Unsecured Debentures	November 2021	6.50		34,870	34,860
Finance lease	February 2022	4.27		76	81
Subsidiaries					
Term Revolving Facility [3]					
Canadian Revolving Facility					
Revolving loan	January 2023	4.40	(6)	65,000	—
Revolving loan – US$363 million (US$310 million at August 31, 2018) [4]	January 2023	3.84	(6)	482,826	404,705
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,159	32,540
Series B - US$150 million	September 2026	4.29		198,883	195,176
Senior Secured Notes Series B [5]		—		—	54,994
Senior Secured Notes - US$215 million	June 2025	4.30		285,031	279,711
Senior Secured Debentures Series 2	November 2020	5.15		199,594	199,544
Senior Secured Debentures Series 3	February 2022	4.93		199,305	199,255
Senior Secured Debentures Series 4	May 2023	4.18		298,460	298,381
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,691.5 million (US$1,695.8 million at August 31, 2018)	January 2025	4.72	(6) (7)	2,204,472	2,167,792
Senior Secured Revolving Facility - US$5 million (US$20 million at August 31, 2018)	January 2023	4.72	(6)	6,651	26,110
				4,024,819	3,895,144
Less current portion				22,633	77,209
				4,002,186	3,817,935

(1) On December 3, 2018, the Corporation amended its $50 million Term Revolving Facility resulting in an increase in the availability to $100 million, and an extension of the maturity date by an additional year until February 1, 2024.

(2) An amount of US$12.4 million drawn under the Corporation's Revolving loan facility was hedged until December 21, 2018, using a cross-currency swap agreement which sets the amount redeemable at maturity at $16.5 million and the effective interest rate on the Canadian dollar equivalent at 3.03%.

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

(4) An amount of US$50 million drawn under Cogeco Communication's Revolving loan facility has been hedged until January 8, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $66.3 million and the effective interest rate on the Canadian dollar equivalent at 3.0%.

(5) Cogeco Communications proceeded to the reimbursement of the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

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

(7) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.52%.

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

12. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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, 2018	August 31, 2018
	$	$
1,812,860 multiple voting shares	12	12
14,513,645 subordinate voting shares (14,574,435 at August 31, 2018)	117,864	118,358
	117,876	118,370
46,050 subordinate voting shares held in trust under the Incentive Share Unit Plan (61,375 at August 31, 2018)	(3,179)	(4,237)
51,479 subordinate voting shares held in trust under the Performance Share Unit Plan (72,359 at August 31, 2018)	(3,767)	(5,295)
	110,930	108,838

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

	Number of shares	Amount
		$
Balance at August 31, 2018	14,574,435	118,358
Purchase and cancellation of subordinate voting shares (1)	(60,790)	(494)
Balance at November 30, 2018	14,513,645	117,864

(1) During the first three months of fiscal 2019, Cogeco purchased and cancelled 60,790 subordinate voting shares with an average stated value of $0.5 million, for consideration of $3.6 million. The excess of the purchase price over the average stated value of the shares totaled $3.1 million and was charged to retained earnings.

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

	Number of shares	Amount
		$
Balance at August 31, 2018	61,375	4,237
Subordinate voting shares distributed to employees	(15,325)	(1,058)
Balance at November 30, 2018	46,050	3,179

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

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

	Number of shares	Amount
		$
Balance at August 31, 2018	72,359	5,295
Subordinate voting shares distributed to employees	(20,880)	(1,528)
Balance at November 30, 2018	51,479	3,767

C) DIVIDENDS

For the three-month period ended November 30, 2018, a quarterly eligible dividend of $0.43 per share, for a total of $7 million was paid to the holders of multiple and subordinate voting shares, compared to a quarterly eligible dividend of $0.39 per share, for a total of $6.4 million for the three-month period ended November 30, 2017.

For the three-month period ended November 30, 2018, a quarterly eligible dividend of $0.525 per share, totaling $17.7 million, was paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, compared to a quarterly eligible dividend of $0.475 per share, totaling $16 million for the three-month period ended November 30, 2017.

	Three months ended November 30,	
	2018	2017
	$	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	780	719
Dividends on subordinate voting shares	6,199	5,687
	6,979	6,406
Attributable to non-controlling interest		
Dividends on subordinate voting shares	17,683	15,995

At its January 10, 2019 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.43 per share for multiple and subordinate voting shares, payable on February 7, 2019 to shareholders of record on January 24, 2019.

D) SHARE-BASED PAYMENT PLANS

The Corporation 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 2018 annual consolidated financial statements of the Corporation.

For the three-month period ended November 30, 2018, 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, 2018 and August 31, 2018.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at November 30, 2018:

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

(1) During the three-month period ended November 30, 2018, Cogeco Communications granted 97,725 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 $64.60.

A compensation expense of $557,000 ($429,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to this plan.

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

The weighted average fair value of stock options granted by Cogeco Communications for the three-month period ended November 30, 2018 was $9.52 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	2018
	%
Expected dividend yield	3.19
Expected volatility	20.36
Risk-free interest rate	2.42
Expected life (in years)	6.0

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at November 30, 2018:

Outstanding at August 31, 2018	61,700
Granted	18,800
Distributed	(15,325)
Outstanding at November 30, 2018	65,175

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at November 30, 2018:

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

A compensation expense of $902,000 ($760,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to these plans.

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

Outstanding at August 31, 2018	72,946
Granted	19,475
Performance-based additional units granted	3,045
Distributed	(20,880)
Cancelled	(1,548)
Dividend equivalents	525
Outstanding at November 30, 2018	73,563

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at November 30, 2018:

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

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

A compensation expense of $1,083,000 ($1,225,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to these plans.

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

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

Outstanding at August 31, 2018	**41,806**
Dividend equivalents	**301**
Outstanding at November 30, 2018	**42,107**

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at November 30, 2018:

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

A compensation expense reduction of $91,000 (compensation expense of $972,000 in 2017) was recorded for the three-month period ended November 30, 2018 related to these plans.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
		(restated, Note 2)	*(restated, Note 2)*
Balance at August 31, 2017	130	24,445	24,575
Other comprehensive income	958	2,240	3,198
Balance at November 30, 2017	1,088	26,685	27,773
Balance at August 31, 2018	**8,166**	**28,169**	**36,335**
Other comprehensive income	**635**	**2,641**	**3,276**
Balance at November 30, 2018	**8,801**	**30,810**	**39,611**

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

14. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2018	2017
	$	$
		(restated, Note 2)
Trade and other receivables	**(5,637)**	(7,229)
Prepaid expenses and other	**(12,572)**	(11,652)
Other assets	**(508)**	(165)
Trade and other payables	**(88,307)**	(99,832)
Provisions	**556**	110
Contract liabilities and other liabilities	**1,529**	2,298
	(104,939)	(116,470)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank indebtedness	Balance due on business combinations	Current and non-current portion of long-term debt	Total
	$	$	$	$
Balance at August 31, 2017	3,801	118	2,611,356	2,615,275
Increase in bank indebtedness	27,555	—	—	27,555
Net increase under the revolving facilities	—	—	4,502	4,502
Repayment of long-term debt	—	—	(6,994)	(6,994)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	27,555	(118)	(2,492)	24,945
Effect of changes in foreign exchange rates	—	—	48,467	48,467
Amortization of discounts and transaction costs	—	—	1,566	1,566
Total non-cash changes	—	—	50,033	50,033
Balance at November 30, 2017	31,356	—	2,658,897	2,690,253
Balance at August 31, 2018	5,949	—	3,895,144	3,901,093
Increase in bank indebtedness	**2,090**	**—**	**—**	**2,090**
Net increase under the revolving facilities	**—**	**—**	**128,572**	**128,572**
Repayment of long-term debt	**—**	**—**	**(60,658)**	**(60,658)**
Balance due on business combinations	**—**	**7,005**	**—**	**7,005**
Total cash flows from financing activities excluding equity	**2,090**	**7,005**	**67,914**	**77,009**
Effect of changes in foreign exchange rates	**—**	**182**	**60,055**	**60,237**
Amortization of discounts and transaction costs	**—**	**—**	**1,706**	**1,706**
Total non-cash changes	**—**	**182**	**61,761**	**61,943**
Balance at November 30, 2018	**8,039**	**7,187**	**4,024,819**	**4,040,045**

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

15. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended November 30,	
	2018	2017
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**842**	808
Administrative expense	**119**	93
Recognized in financial expense (other)		
Net interest	**(42)**	14
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**3,115**	2,925
	4,034	3,840

16. 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, 2018, the Corporation had used $16.5 million of its $50 million Term Revolving Facility and an amount of $558.4 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $33.5 million and $241.6 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $199.5 million (US$150 million), of which $9.5 million (US$7.1 million) was used at November 30, 2018 for a remaining availability of $190 million (US$142.9 million).

Interest rate risk

The Corporation 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, 2018, all of the Corporation's and Cogeco Communications' long-term debt were at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $12.6 million based on the outstanding debt at November 30, 2018.

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

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

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 aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at November 30, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$703 million	US$983.6 million	Net investments in foreign operations in US dollar
N/A	£—	£23.8 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at November 30, 2018 was $1.3301 ($1.3055 at August 31, 2018) per US dollar and $1.6964 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.4 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	November 30, 2018		August 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	4,024,819	4,084,700	3,895,144	3,980,600

C) CAPITAL MANAGEMENT

At November 30, 2018 and August 31, 2018, 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, 2018	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	3.5	3.4
Net indebtedness (3) / adjusted EBITDA (2)	3.5	3.5
Adjusted EBITDA (2) / financial expense (2)	5.7	6.0

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended November 30, 2018, which includes eleven months of Metrocast operations, and for the year ended August 31, 2018 which includes eight months of Metrocast operations.

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

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

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

	November 30, 2018	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	3.5	3.5
Net indebtedness (3) / adjusted EBITDA (2)	3.5	3.5
Adjusted EBITDA (2) / financial expense (2)	5.6	5.9

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month period ended November 30, 2018, which includes eleven months of Metrocast operations, and for the year ended August 31, 2018 which includes eight months of Metrocast operations.

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

17. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications (0.85% for the period prior to January 4, 2018). 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 period ended November 30, 2018, management fees paid to Cogeco amounted to $4.8 million, compared to $4.7 million for the same period of fiscal 2018.

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

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

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

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

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

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