SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2019

FINANCIAL HIGHLIGHTS

	Three months ended					Nine months ended				
	May 31, 2019	May 31, 2018[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]	**May 31, 2019**	May 31, 2018[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]
(in thousands of dollars, except percentages and per share data)	**$**	$	%	%	$	**$**	$	%	%	$
Operations										
Revenue	**617,617**	598,877	3.1	1.3	10,849	**1,833,552**	1,669,753	9.8	7.7	35,006
Adjusted EBITDA[3]	**289,935**	277,397	4.5	2.9	4,514	**850,999**	766,168	11.1	9.1	14,811
Integration, restructuring and acquisition costs[4]	**1,155**	2,260	(48.9)			**12,012**	18,651	(35.6)		
Profit for the period from continuing operations	**102,559**	76,116	34.7			**272,972**	321,610	(15.1)		
Profit (loss) for the period from discontinued operations	**82,451**	(5,365)	—			**73,460**	(23,329)	—		
Profit for the period	**185,010**	70,751	—			**346,432**	298,281	16.1		
Profit for the period attributable to owners of the Corporation	**59,883**	25,155	—			**111,718**	101,272	10.3		
Cash flow from continuing operations										
Cash flow from operating activities	**267,388**	171,757	55.7			**575,172**	369,698	55.6		
Acquisitions of property, plant and equipment[5]	**97,169**	98,950	(1.8)	(4.5)	2,629	**292,456**	296,438	(1.3)	(4.2)	8,413
Free cash flow[3]	**140,393**	109,446	28.3	27.9	421	**381,544**	268,793	41.9	41.4	1,551
Financial condition[6]										
Cash and cash equivalents						**448,424**	86,352	—		
Total assets						**7,064,426**	7,335,547	(3.7)		
Indebtedness[7]						**3,578,541**	3,951,791	(9.4)		
Equity attributable to owners of the Corporation						**753,702**	710,908	6.0		
Per Share Data[8]										
Earnings (loss) per share										
Basic										
From continuing operations	**2.09**	1.64	27.4			**5.46**	6.63	(17.6)		
From discontinued operations	**1.62**	(0.10)	—			**1.44**	(0.45)	—		
From continuing and discontinued operations	**3.71**	1.54	—			**6.90**	6.18	11.7		
Diluted										
From continuing operations	**2.07**	1.63	27.0			**5.41**	6.58	(17.8)		
From discontinued operations	**1.61**	(0.10)	—			**1.43**	(0.45)	—		
From continuing and discontinued operations	**3.68**	1.52	—			**6.84**	6.13	11.6		
Dividends	**0.43**	0.39	10.3			**1.29**	1.17	10.3		

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections of the MD&A.

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. For the three and nine-month periods ended May 31, 2018, the average foreign exchange rates used for translation were 1.2846 USD/CDN and 1.2664 USD/CDN, respectively.

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

(4) For the three and nine-month periods ended May 31, 2019, integration, restructuring and acquisition costs were mostly due to restructuring costs in the Canadian broadband services operations and were related to an operational optimization program. In addition, acquisition costs for the nine-month period ended May 31, 2019 were related to the acquisition of 10 regional radio stations on November 26, 2018 by the Corporation's subsidiary, Cogeco Media. For the three and nine-months periods ended May 31, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

(5) For the three and nine-months periods ended May 31, 2019, acquisitions of property, plant and equipment in constant currency amounted to $94.5 million and $284.0 million, respectively.

(6) At May 31, 2019 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 and nine-month periods ended May 31, 2019

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco 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" of the Corporation's 2018 annual MD&A, the "Fiscal 2019 Revised Financial Guidelines" section of the second quarter of fiscal 2019 MD&A and the "Fiscal 2020 Preliminary Financial Guidelines" section of the present 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 the Corporation's 2018 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco 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 and nine-month periods ended May 31, 2019 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2018 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Inc.'s ("Cogeco" or the "Corporation") mission is to connect its customers to the digital world and create outstanding communication experiences. Our vision is to deliver value to our shareholders by: 1) creating exceptional customer experience, 2) augmenting our geographic reach in Canada and the United States, 3) expanding into new market segments, and 4) mobilizing highly engaged teams.

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 our mission, Cogeco Communications Inc. ("Cogeco Communications") has developed the following strategies:

Canadian broadband services	American broadband services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Leveraging Internet superiority to support loyalty and promote growth
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Focusing on business services in the enterprise market with expanded sales channels, enhanced product offerings and aggressive market pricing strategy
Exploring a potential wireless service in a profitable manner and within our financial means	Building on initial successes in expanding the Florida market
Investing in the development of our people	Improving our networks with state-of-the-art advanced technologies

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

REVENUE

For the first nine months of fiscal 2019, revenue increased by 9.8% (7.7% in constant currency) mainly due to:

- a growth of 10.6% (8.3% in constant currency) in the Communications segment mostly resulting from the impact of the MetroCast cable systems acquisition ("the MetroCast acquisition") completed on January 4, 2018 which was included in revenue for only a five-month period for the comparable period of the prior year and the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition") completed on October 3, 2018; partly offset by
- a decrease of 3.5% in the Other segment mainly from a soft advertising market and increased competition in the media activities.

ADJUSTED EBITDA

For the first nine months of fiscal 2019, adjusted EBITDA increased by 11.1% (9.1% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in both the American and Canadian broadband services operations.

FREE CASH FLOW

For the first nine months of fiscal 2019, free cash flow increased by 41.9% (41.4% in constant currency) mainly as a result of:

- higher adjusted EBITDA;
- the decrease in current income taxes expense; and
- the decrease in integration, restructuring and acquisition costs.

(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.

3. BUSINESS DEVELOPMENTS AND OTHER

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million which resulted in a gain on disposal of $82.4 million in the third quarter of fiscal 2019.

Operating and financial results as well as cash flows from Cogeco Peer 1 from both the current and comparable periods are therefore presented as discontinued operations.

For further details on the Business ICT services operating results, please refer to the “Discontinued operations” section.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	617,617	598,877	3.1	1.3	10,849
Operating expenses	327,682	321,480	1.9	—	6,335
Adjusted EBITDA	289,935	277,397	4.5	2.9	4,514

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

	Nine months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	1,833,552	1,669,753	9.8	7.7	35,006
Operating expenses	982,553	903,585	8.7	6.5	20,195
Adjusted EBITDA	850,999	766,168	11.1	9.1	14,811

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

REVENUE

Fiscal 2019 third-quarter revenue increased by 3.1% (1.3% in constant currency) compared to the same period of the prior year mainly due to:

- growth of 3.6% (1.7% in constant currency) in the Communications segment mostly as a result of strong organic growth and the FiberLight acquisition in the American broadband services operations; partly offset by
- a decrease of 4.8% in the Other segment resulting mainly from a soft advertising market and increased competition in the media activities.

For the first nine months of fiscal 2019, revenue increased by 9.8% (7.7% in constant currency) mainly due to:

- growth of 10.6% (8.3% in constant currency) in the Communications segment mostly as a result of the impact of the MetroCast acquisition combined with strong organic growth and the FiberLight acquisition in the American broadband services operations; partly offset by
- a decrease of 3.5% in the Other segment mainly from a soft advertising market in the media activities.

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

OPERATING EXPENSES

For the third quarter and first nine months of fiscal 2019, operating expenses increased by 1.9% and 8.7% (nil and 6.5% in constant currency) compared to the same periods 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

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA increased by 4.5% and 11.1% (2.9% and 9.1% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in both the American and Canadian broadband services operations.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the third quarter and first nine months of fiscal 2019, integration, restructuring and acquisition costs amounted to $1.2 million and $12.0 million, respectively, mostly due to restructuring costs in the Canadian broadband services operations from an operational optimization program. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed to create a leaner, more efficient and agile organization pursuant to its digital transformation. In addition, acquisition costs for the first nine months of fiscal 2019 were related to the acquisition of 10 regional radio stations on November 26, 2018 by the Corporation's subsidiary, Cogeco Media.

For the third quarter and first nine months of fiscal 2018, restructuring and acquisition costs amounted to $2.3 million and $18.7 million, respectively, due to the MetroCast acquisition completed on January 4, 2018.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 [1]	Change	May 31, 2019	May 31, 2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Depreciation of property, plant and equipment	105,649	102,053	3.5	319,224	283,317	12.7
Amortization of intangible assets	14,280	14,623	(2.3)	42,435	32,756	29.5
	119,929	116,676	2.8	361,659	316,073	14.4

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 third-quarter depreciation and amortization increased by 2.8% mostly as a result of the impact of the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

For the first nine months of fiscal 2019, depreciation and amortization expense increased by 14.4% resulting mainly from the impact of the MetroCast acquisition combined with the appreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

4.4 FINANCIAL EXPENSE

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 [1]	Change	May 31, 2019	May 31, 2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Interest on long-term debt	44,744	56,607	(21.0)	137,578	135,482	1.5
Net foreign exchange gains	(2,144)	(1,853)	15.7	(2,452)	(2,634)	(6.9)
Amortization of deferred transaction costs	486	453	7.3	1,428	1,489	(4.1)
Capitalized borrowing costs	(224)	(338)	(33.7)	(522)	(1,912)	(72.7)
Other	(60)	6,106	—	1,056	7,385	(85.7)
	42,802	60,975	(29.8)	137,088	139,810	(1.9)

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

For the third quarter and first nine months of fiscal 2019 financial expense decreased by 29.8% and 1.9%, respectively, mainly due to:

- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018;
- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019 and of US$328 million during the third quarter of fiscal 2019 following the sale of Cogeco Peer 1; and
- early reimbursement of the US$400 million Senior Unsecured Notes during the third quarter of fiscal 2018 which resulted in a $6.2 million redemption premium and the write-off of the unamortized deferred transaction costs of $2.5 million; partly offset by
- higher debt outstanding and interest rates on the First Lien Credit Facilities following the MetroCast acquisition; and
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year.

4.5 INCOME TAXES

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 [1]	Change	May 31, 2019	May 31, 2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Current	13,510	13,386	0.9	45,354	63,467	(28.5)
Deferred	9,980	7,984	25.0	21,914	(93,443)	—
	23,490	21,370	9.9	67,268	(29,976)	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 [1]	Change	May 31, 2019	May 31, 2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Profit before income taxes	126,049	97,486	29.3	340,240	291,634	16.7
Combined Canadian income tax rate	26.5%	26.5%	—	26.5%	26.5%	—
Income taxes at combined Canadian income tax rate	33,403	25,834	29.3	90,164	77,283	16.7
Adjustment for losses or profit subject to lower or higher tax rates	(959)	798	—	63	(37)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	(288)	—	—	7	(94,166)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(1,662)	2,285	—	(490)	2,283	—
Tax impacts related to foreign operations	(7,255)	(6,530)	11.1	(21,116)	(15,274)	38.2
Other	251	(1,017)	—	(1,360)	(65)	—
	23,490	21,370	9.9	67,268	(29,976)	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

Fiscal 2019 third-quarter income taxes expense increased by 9.9% compared to the same period of the prior year mainly attributable to:

- the increase in profit before income taxes which is mostly related to the growth in the American broadband services operations and the decrease in financial expense, partly offset by the increase in depreciation and amortization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

For the first nine months of fiscal 2019, income taxes expense amounted to $67.3 million compared to a recovery of $30.0 million for the same period of the prior year mainly attributable to:

- the effect of the federal rate reduction in the second quarter of fiscal 2018 in the United States;
- the increase in profit before income taxes which is mostly related to the impact of the MetroCast acquisition completed in the second quarter of fiscal 2018, partly offset by the increase in depreciation and amortization; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

On March 19, 2019, the Canada Ministry of Finance confirmed the announcement during its 2018 Fall Economic Update that Canadian businesses will temporarily be allowed to accelerate tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018, phasing out during the period from 2023 to 2028. The federal accelerated tax depreciation will have a favorable impact on the current income tax expense of the Corporation in fiscal 2019 and was accounted for in the third quarter of this fiscal year since the new legislation has been considered as substantively enacted on April 8, 2019. On March 21, 2019, the Québec Ministry of Finance confirmed that it will harmonize with the Federal legislation.

On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduces the general federal corporate tax rate from 35% to 21% starting after 2017 which reduced net deferred tax liabilities by approximately $94 million (US$74 million) in the second quarter of fiscal 2018. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, had an overall favorable impact on the income tax expense.

4.6 PROFIT FOR THE PERIOD

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 (1)	Change	May 31, 2019	May 31, 2018 (1)	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%	$	$	%
Profit for the period from continuing operations	102,559	76,116	34.7	272,972	321,610	(15.1)
Profit for the period	185,010	70,751	—	346,432	298,281	16.1
Profit for the period from continuing operations attributable to owners of the Corporation	33,744	26,854	25.7	88,424	108,660	(18.6)
Profit for the period attributable to owners of the Corporation	59,883	25,155	—	111,718	101,272	10.3
Profit for the period attributable to non-controlling interest(2)	125,127	45,596	—	234,714	197,009	19.1
Basic earnings per share from continuing operations	2.09	1.64	27.4	5.46	6.63	(17.6)
Basic earnings earnings per share	3.71	1.54	—	6.90	6.18	11.7

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(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 by Caisse de dépot et placement du Québec ("CDPQ"), effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 third-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 34.7% and 25.7%, respectively, as a result of:

- higher adjusted EBITDA; and
- the decrease in financial expense; partly offset by
- the increases in income taxes and in depreciation and amortization.

Fiscal 2019 third-quarter profit for the period and profit for the period attributable to owners of the Corporation amounted to $185.0 million and $59.9 million, respectively, compared to $70.8 million and $25.2 million for the comparable period of the prior year mainly due to a profit for the period from discontinued operations of $82.5 million resulting from the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $5.4 million for the comparable period of the prior year in addition to the same elements mentioned above.

For the first nine months of fiscal 2019, profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation decreased by 15.1% and 18.6%, respectively, as a result of:

- last year's $94 million income tax reduction following the United States tax reform; and
- the increases in depreciation and amortization mostly related to the impact of the MetroCast acquisition; partly offset by
- higher adjusted EBITDA mainly as a result of the impact of the MetroCast acquisition; and
- the decrease in integration, restructuring and acquisition costs.

For the first nine months of fiscal 2019, profit for the period and profit for the period attributable to owners of the Corporation increased by 16.1% and 10.3%, respectively, mainly due to a profit for the period from discontinued operations of $73.5 million resulting from the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $23.3 million for the comparable period of the prior year in addition to the same elements mentioned above.

5. RELATED PARTY TRANSACTIONS

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

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). Following the sale of Cogeco Peer 1 in the Communications segment, Cogeco Communications and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by Cogeco Communications to Cogeco, which was based on a percentage of the consolidated revenue of Cogeco Communications, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This new cost-plus methodology which became effective on May 1, 2019, was introduced to avoid future variations of the management fee percentage due to frequent changes to Cogeco Communications' consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For the third quarter and first nine months of fiscal 2019, management fees paid by Cogeco Communications Inc. amounted to $5.0 million and $14.7 million, respectively, compared to $4.3 million and $14.2 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the nine-month periods ended May 31, 2019 and 2018, Cogeco Communications granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Nine months ended	
	May 31, 2019	May 31, 2018
Stock options	**97,725**	126,425
PSUs	**14,625**	19,025

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

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018	**May 31, 2019**	May 31, 2018
(in thousands of dollars)	**$**	$	**$**	$
Stock options	**256**	240	**749**	635
ISUs	**15**	—	**45**	1
PSUs	**304**	254	**806**	736
DSUs	**69**	—	**393**	—

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

6. CASH FLOW ANALYSIS

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018 (1)	Change	May 31, 2019	May 31, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Cash flow from operating activities	267,388	171,757	55.7	575,172	369,698	55.6
Cash flow from investing activities	(96,787)	(59,533)	62.6	(346,898)	(1,998,134)	(82.6)
Cash flow from financing activities	(518,454)	(230,475)	—	(600,975)	1,474,460	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	1,710	555	—	966	2,052	(52.9)
Net change in cash and cash equivalents from continuing operations	(346,143)	(117,696)	—	(371,735)	(151,924)	—
Net change in cash and cash equivalent from discontinued operations[2]	734,405	6,983	—	733,807	3,200	—
Cash and cash equivalents, beginning of the period	60,162	174,272	(65.5)	86,352	212,283	(59.3)
Cash and cash equivalents, end of the period	448,424	63,559	—	448,424	63,559	—

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(2) For further details on the Corporation's cash flow attributable to discontinued operations, please refer the "Discontinued operations" section.

6.1 OPERATING ACTIVITIES

Fiscal 2019 third-quarter cash flow from operating activities increased by 55.7% compared to the same period of the prior year mainly from:

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

For the first nine months of fiscal 2019, cash flow from operating activities increased by 55.6% compared to the same period of the prior year mainly from:

- higher adjusted EBITDA; and
- the decreases in income taxes paid and in integration, restructuring and acquisition costs.

6.2 INVESTING ACTIVITIES

Fiscal 2019 third-quarter investing activity increased by 62.6% compared to the same period of the prior year mainly due to the redemption of short-term investments in the prior year.

For the first nine months of fiscal 2019, investing activities decreased by 82.6% compared to the same period of the prior year mainly due to the MetroCast acquisition of $1.76 billion in the second quarter of fiscal 2018.

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. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's existing south Florida footprint.

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:

(in thousands of dollars)	Radio stations $	Fibre network $	Preliminary 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

For the third quarter and first nine months of fiscal 2019, acquisitions of property, plant and equipment decreased by 1.8% and 1.3%, respectively, (4.5% and 4.2% in constant currency) compared to the same periods of fiscal 2018 mainly due to the decrease 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 third-quarter free cash flow increased by 28.3% (27.9% in constant currency) compared to the same period of the prior year mainly as a result of the following:

- higher adjusted EBITDA; and
- the decrease in financial expense.

For the first nine months of fiscal 2019, free cash flow increased by 41.9% (41.4% in constant currency) compared to the same period of the prior year mainly as a result of the following:

- higher adjusted EBITDA;
- the decrease in current income taxes expense; and
- the decrease in integration, restructuring and acquisition costs.

FINANCING ACTIVITIES

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

	Three months ended			Nine months ended			
(in thousands of dollars)	May 31, 2019 $	May 31, 2018 $	Change $	May 31, 2019 $	May 31, 2018 $	Change $	Explanations
Increase (decrease) in bank indebtedness	(33,174)	11,984	(45,158)	(949)	12,886	(13,835)	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	(422,994)	392,013	(815,007)	(418,536)	403,896	(822,432)	Repayments of Cogeco Communicatons' revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with generated free cash flow, partly offset by increased drawing under the Corporation's revolving loan during the third quarter of fiscal 2019. US$307 million revolving loan was drawn under Cogeco Communications' Term Revolving Facility following the early reimbursement of the US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018 and drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility to finance the MetroCast acquisition.
Issuance of long-term debt, net of discounts and transaction costs	—	—	—	—	2,082,408	(2,082,408)	Issuance by Cogeco Communications of a US$1.7 billion Senior Secured Term Loan B to finance the MetroCast acquisition and refinance Atlantic Broadband's long-term debt in the second quarter of fiscal 2018.
Repayments of long-term debt	(5,754)	(611,445)	605,691	(72,004)	(1,323,511)	1,251,507	Reimbursement by Cogeco Communications of the $55 million Senior Secured Notes Series B maturing in October 2018. Repayment of Cogeco Communications' long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing and the early redemption of the US$400 million Senior Unsecured Notes.
Repayment of balance due on a business combination	—	—	—	(655)	(118)	(537)	Not significant.
Increase in deferred transaction costs	—	—	—	(612)	(3,200)	2,588	Not significant.
	(461,922)	(207,448)	(254,474)	(492,756)	1,172,361	(1,665,117)	

DIVIDENDS

During the third 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 $6.9 million, compared to an eligible dividend paid of $0.39 per share, or $6.4 million in the third quarter of fiscal 2018. Dividend payment in the first nine months totaled $1.29 per share, or $20.9 million, compared to $1.17 per share, or $19.2 million, in the prior year.

NORMAL COURSE ISSUER BID - Cogeco Inc.

During the third quarter of fiscal 2019, Cogeco purchased and cancelled 175,868 subordinate voting shares with an average stated value of $1.4 million, for consideration of $14.2 million compared to 12,952 subordinate voting shares with an average stated value of $0.1 million, for consideration of $0.9 million. During the first nine months of fiscal 2019, Cogeco purchased and cancelled 236,568 subordinate voting shares with an average stated value of $1.9 million for a consideration of $17.8 million compared to 102,300 subordinate voting shares with an average stated value of $0.8 million for a consideration of $8.2 million for the comparable period of the prior year.

The Corporation intends to renew its normal course issuer bid program from August 2, 2019 to August 1, 2020, to enable it to acquire for cancellation up to 300,000 subordinate voting shares. The renewal is subject to Toronto Stock Exchange approval.

NORMAL COURSE ISSUER BID - Cogeco Communications Inc.

Following the completion of the sale of Cogeco Peer 1 on April 30, 2019, the Toronto Stock Exchange has accepted Cogeco Communications' notice of intention for a normal course issuer bid in respect to its subordinate voting shares. Purchases pursuant to the normal course issuer bid will be made between May 3, 2019 to May 20, 2020 and enable Cogeco Communications to acquire up to 1,869,000 subordinate voting shares. During the third quarter of fiscal 2019, Cogeco Communications purchased and cancelled 157,400 subordinate voting shares with an average stated value of $4.4 million for a consideration of $14.5 million.

6.4 DIVIDEND DECLARATION

At its July 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 August 7, 2019 to shareholders of record on July 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				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	587,345	567,079	3.6	1.7	10,849
Operating expenses	298,444	294,819	1.2	(0.9)	6,335
Management fees – Cogeco Inc.	4,974	4,327	15.0	15.0	—
Adjusted EBITDA	283,927	267,933	6.0	4.3	4,514
Adjusted EBITDA margin	48.3%	47.2%			
Acquisitions of property, plant and equipment	96,116	98,660	(2.6)	(5.2)	2,629

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

	Nine months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	1,748,147	1,581,220	10.6	8.3	35,006
Operating expenses	901,147	823,648	9.4	7.0	20,195
Management fees – Cogeco Inc.	14,670	14,165	3.6	3.6	—
Adjusted EBITDA	832,330	743,407	12.0	10.0	14,811
Adjusted EBITDA margin	47.6%	47.0%			
Acquisitions of property, plant and equipment	289,446	295,489	(2.0)	(4.9)	8,413

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

REVENUE

	Three months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**325,808**	329,144	(1.0)	(1.0)	—
American broadband services	**261,537**	237,809	10.0	5.4	10,849
Inter-segment eliminations and other	**—**	126	(100.0)	(100.0)	—
	587,345	567,079	3.6	1.7	10,849

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

	Nine months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	**$**	$	%	%	$
Canadian broadband services	**975,032**	980,165	(0.5)	(0.5)	—
American broadband services	**773,115**	600,929	28.7	22.8	35,006
Inter-segment eliminations and other	**—**	126	(100.0)	(100.0)	—
	1,748,147	1,581,220	10.6	8.3	35,006

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter revenue increased by 3.6% (1.7% in constant currency) resulting from:

- growth in the American broadband services operations mainly due to:
  - rate increases;
  - continued growth in Internet and telephony services customers;
  - the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
  - a decrease in video service customers.
- a decrease in the Canadian broadband services operations mainly as a result of:
  - decreases in video and telephony services customers primarily due to the implementation of a new customer management system in the second half of fiscal 2018; partly offset by
  - rate increases; and
  - higher net pricing from consumer sales.

For the first nine months of fiscal 2019, revenue increased by 10.6% (8.3% in constant currency) resulting from:

- growth in the American broadband services operations resulting from the elements mentioned above for the third quarter of fiscal 2019 in addition to the impact of the MetroCast acquisition completed on January 4, 2018 which was included in revenue for only a five-month period for the comparable period of the prior year.
- a decrease in the Canadian broadband services operations mainly as a result of:
  - a decline in primary service units in the first quarter of fiscal 2019 from lower service activations primarily due to the implementation of a new customer management system; and
  - the impact of the timing of rate increases implemented in fiscal 2019 compared to the same period of the prior year; partly offset by
  - higher net pricing from consumer sales.

OPERATING EXPENSES

	Three months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	147,054	156,391	(6.0)	(6.1)	277
American broadband services	145,836	131,613	10.8	6.2	6,055
Inter-segment eliminations and other	5,554	6,815	(18.5)	(18.6)	3
	298,444	294,819	1.2	(0.9)	6,335

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

	Nine months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	458,471	465,326	(1.5)	(1.7)	1,029
American broadband services	422,993	341,666	23.8	18.2	19,152
Inter-segment eliminations and other	19,683	16,656	18.2	18.1	14
	901,147	823,648	9.4	7.0	20,195

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter operating expenses increased by 1.2% (decrease of 0.9% in constant currency) mainly from:

- additional costs in the American broadband services operations mainly due to:
  - marketing initiatives;
  - higher costs related to growing demands for higher Internet capacity packages;
  - the FiberLight acquisition completed in the first quarter of fiscal 2019;
  - programming rate increases; and
  - higher compensation expenses due to higher headcount to support growth.
- lower operating expenses in the Canadian broadband services operations as a result of:
  - lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; and
  - lower programming costs as a result of lower primary service units.

For the first nine months of fiscal 2019, operating expenses increased by 9.4% (7.0% in constant currency) mainly from:

- additional costs in the American broadband services operations resulting from the same elements mentioned above for the third quarter of fiscal 2019 in addition to the impact of the MetroCast acquisition which was included in operating expense for only a five-month period for the comparable period of the prior year, partly offset by the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.
- lower operating expenses in the Canadian broadband services operations as a result of:
  - lower programming costs resulting from a lower level of primary service units; and

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

MANAGEMENT FEES

For the third quarter and first nine months of fiscal 2019, management fees paid to Cogeco Inc. reached $5.0 million and $14.7 million, respectively, compared to $4.3 million and $14.2 million for the same periods of fiscal 2018. For further details on Cogeco Communications' management fees, please refer to the “Related party transactions” section.

ADJUSTED EBITDA

	Three months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	178,754	172,753	3.5	3.6	(277)
American broadband services	115,701	106,196	9.0	4.4	4,794
Inter-segment eliminations and other	(10,528)	(11,016)	(4.4)	(4.5)	(3)
	283,927	267,933	6.0	4.3	4,514

(1) For the three-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3402 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2846 USD/CDN.

	Nine months ended				
	May 31, 2019 (1)	May 31, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	516,561	514,839	0.3	0.5	(1,029)
American broadband services	350,122	259,263	35.0	28.9	15,854
Inter-segment eliminations and other	(34,353)	(30,695)	11.9	11.9	(14)
	832,330	743,407	12.0	10.0	14,811

(1) For the nine-month period ended May 31, 2019, the average foreign exchange rate used for translation was 1.3266 USD/CDN.

(2) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2664 USD/CDN.

Fiscal 2019 third-quarter adjusted EBITDA increased by 6.0% (4.3% in constant currency) as a result of:

- an increase in the American broadband services operations mainly as a result of strong organic growth and the FiberLight acquisition; and
- an increase in the Canadian broadband services operations resulting mainly from a reduction in operating expenses.

For the first nine months of fiscal 2019, adjusted EBITDA increased by 12.0% (10.0% in constant currency) as a result of:

- an increase in the American broadband services operations mainly as a result of the impact of the MetroCast and FiberLight acquisitions combined with strong organic growth; and
- an increase in the Canadian broadband services operations resulting mainly from a reduction in operating expenses.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 third-quarter acquisitions of property, plant and equipment decreased by 2.6% (5.2% in constant currency) mainly as follows:

- In the Canadian broadband services operations, acquisitions of property, plant and equipment decreased by 6.5% (7.8% in constant currency) resulting from:
    - lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
    - lower purchases of customer premise equipment due to the timing of certain initiatives; partly offset by
    - additional investments to improve and expand the network infrastructure; and
    - costs related to the new Internet protocol television ("IPTV") platform.

- In the American broadband services operations, acquisitions of property, plant and equipment increased by 2.1% (decrease of 2.2% in constant currency) mainly due to:
    - additional capital expenditures related to the expansion in Florida; partly offset by
    - lower purchases of customer premise equipment due to the timing of certain initiatives.

For the first nine months of fiscal 2019, acquisitions of property, plant and equipment decreased by 2.0% (4.9% in constant currency) mainly as follows:

- In the American broadband services operations, acquisitions of property, plant and equipment decreased by 9.3% (13.4% in constant currency) mainly due to:
    - the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US $16.8 million) during the second quarter of fiscal 2018; partly offset by
    - additional capital expenditures related to the impact of the MetroCast acquisition; and
    - additional capital expenditures related to the expansion in Florida.

- In the Canadian broadband services operations, acquisitions of property, plant and equipment increased by 4.5% (2.7% in constant currency) resulting from:
    - additional investments to improve and expand the network infrastructure; and
    - costs related to the new IPTV platform; partly offset by
    - lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
    - lower purchases of customer premise equipment due to the timing of certain initiatives.

7.2 CUSTOMER STATISTICS

	May 31, 2019			Net additions (losses) Three months ended		Net additions (losses) Nine months ended	
	Consolidated	Canada	United States	May 31, 2019	May 31, 2018	May 31, 2019	May 31, 2018 (2)
Primary service units(1)	2,707,227	1,813,212	894,015	4,004	(5,563)	(44,156)	(2,577)
Internet service customers	1,229,399	785,703	443,696	14,833	8,061	22,174	33,862
Video service customers	965,008	657,747	307,261	(11,369)	(10,049)	(41,012)	(24,796)
Telephony service customers	512,820	369,762	143,058	540	(3,575)	(25,318)	(11,643)

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

(2) Excludes 251,379 primary services units (130,404 Internet services, 87,873 video services and 33,102 telephony services) from the MetroCast acquisition completed by the American broadband services operations in the second quarter of fiscal 2018.

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

Variations of each services are also explained as follows:

INTERNET

For the third quarter and first nine months of fiscal 2019, Internet service customers net additions stood at 14,833 and 22,174, respectively, compared to 8,061 and 33,862 for the same periods of the prior year mainly due to:

- additional connects from the Florida expansion and in the MetroCast footprint;
- our customers' ongoing interest in high speed offerings;
- the increased demand from Internet resellers in Canada;
- growth in both the residential and business sectors in the United States;
- the sustained interest in bundle offers in Canada; and
- seasonal reconnects in the Maine and New Hampshire areas during the third quarter of fiscal 2019 in the United States; partly offset by
- competitive offers in the industry.

The variation for first nine months of fiscal 2019 was also due to contact center congestion in the first quarter of fiscal 2019 resulting from the implementation and stabilization of the new customer management system in Canada.

VIDEO

For the third quarter and first nine months of fiscal 2019, video service customers net losses stood at 11,369 and 41,012, respectively, compared to 10,049 and 24,796 for the same periods of the prior year as a result of:

- highly competitive offers in the industry;
- a changing video consumption environment; partly offset by
- seasonal reconnects in the Maine and New Hampshire areas during the third quarter of fiscal 2019 in the United States;
- our customers' ongoing interest in digital advanced video services; and
- bundles with fast Internet offerings.

The variation for first nine months of fiscal 2019 was also due to contact center congestion in the first quarter of fiscal 2019 resulting from the implementation and stabilization of the new customer management system in Canada.

TELEPHONY

For the third quarter and first nine months of fiscal 2019, telephony service customers net additions amounted to 540 and net losses amounted to 25,318, respectively, compared to net losses of 3,575 and 11,643 for the same periods of the prior year mainly due to:

- the increasing wireless penetration in Canada and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only; partly offset by
- growth in the business sector in the United States.

The variation for the first nine months of fiscal 2019, was also due to 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.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco generally 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:

	May 31, 2019	August 31, 2018 (1)	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	448,424	86,352	362,072	Please refer to the "Cash flow analysis" section.
Trade and other receivables	101,415	118,718	(17,303)	Related to the sale of Cogeco Peer 1 on April 30, 2019, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	15,595	25,697	(10,102)	Mostly related to lower income tax installments made during the first nine months of fiscal 2019 in the Canadian broadband services segment.
Prepaid expenses and other	27,126	30,444	(3,318)	Not significant.
Derivative financial instruments	371	1,330	(959)	Not significant.
	592,931	262,541	330,390	
Current liabilities				
Bank indebtedness	5,000	5,949	(949)	Timing of payments made to suppliers.
Trade and other payables	201,542	320,306	(118,764)	Timing of payments made to suppliers combined with the sale of Cogeco Peer 1.
Provisions	33,533	26,137	7,396	Mostly related to the increase of network fees in the Canadian broadband services segment.
Income tax liabilities	14,248	16,133	(1,885)	Not significant.
Contract liabilities and other liabilities	47,786	59,967	(12,181)	Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Balance due on business combinations	6,599	—	6,599	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	23,018	77,209	(54,191)	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.
	331,726	505,701	(173,975)	
Working capital surplus (deficiency)	261,205	(243,160)	504,365	

(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)	May 31, 2019 $	August 31, 2018 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	2,019,875	2,337,751	(317,876)	Related to the sale of Cogeco Peer 1, partly offset by the FiberLight acquisition in the first quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	2,981,458	3,007,306	(25,848)	Related to the sale of of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Goodwill	1,412,525	1,627,031	(214,506)	Related to sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	—	33,797	(33,797)	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Non-current liabilities				
Long-term debt	3,496,827	3,817,935	(321,108)	Mostly related to the reimbursement of the US$328 million Canadian Revolving Facility during the third quarter of fiscal 2019 using the proceeds of the sale of Cogeco Peer 1, partly offset by increased drawing of US$20.5 million under the revolving loan during the first nine months of fiscal 2019 combined with the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	19,028	—	19,028	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Shareholders' equity				
Equity attributable to non-controlling interest(2)	1,854,108	1,700,783	153,325	Mostly related to the participation of 68.3% 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.

(2) The non-controlling interest represents a participation of approximately 68.3% in Cogeco Communications' equity attributable to owners of the Corporation in addition to a participation of 21% in Cogeco Communications' Atlantic Broadband subsidiary by CDPQ, effective since the MetroCast acquisition on January 4, 2018.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at June 30, 2019 is presented in the table below. Additional details are provided in note 13 of the Condensed Interim Consolidated Financial Statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,812,860	12
Subordinate voting shares	14,337,777	116,436

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 except as follows.

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.

At May 31, 2019, the Corporation had used $27.6 million of its $100 million Term Revolving Facility and an amount of $1.7 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $72.4 million and $798.3 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $202.9 million (US$150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2019 for a remaining availability of $199.6 million (US$147.6 million).

8.5 COGECO COMMUNICATIONS CREDIT RATINGS

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

At May 31, 2019	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	BBB-	BBB (low)	NR
Atlantic Broadband			
First Liens Credit Facilities	BB-	NR	B1

NR : Not rated

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

8.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation 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 May 31, 2019, 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 May 31, 2019:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.1 million based on the outstanding debt at May 31, 2019.

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 $12.3 million based on the outstanding debt at May 31, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at May 31, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$955.6 million	Net investments in foreign operations in US dollar

The exchange rates used to convert the US dollar currency into Canadian dollars for the statement of financial position accounts at May 31, 2019 was $1.3527 ($1.3055 at August 31, 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $76.5 million.

8.7 FOREIGN CURRENCY

For the three and nine-month periods ended May 31, 2019, the average rates prevailing used to convert the operating results of the Communications segment and the discontinued operations were as follows:

	Three months ended				Nine months ended			
	May 31, 2019	May 31, 2018	Change	Change	**May 31, 2019**	May 31, 2018	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.3402**	1.2846	0.06	4.3	**1.3266**	1.2664	0.06	4.8
British Pound vs Canadian dollar [(1)]	**1.7518**	1.7776	(0.03)	(1.5)	**1.7212**	1.7234	—	(0.1)

(1) The rates for fiscal 2019 are for the two and eight-month periods ended April 30, 2019.

The following table highlights in Canadian dollars, the impact of a depreciation of $0.06 of the Canadian dollar against the US dollar on the Communications segment's operating results for the nine-month period ended May 31, 2019:

	Communications segment
Nine months ended May 31, 2019	Exchange rate impact
(in thousands of dollars)	**$**
Revenue	**35,006**
Operating expenses	**20,195**
Management fees - Cogeco Inc.	**—**
Adjusted EBITDA	**14,811**
Acquisitions of property, plant and equipment	**8,413**
Free cash flow	**1,551**

9. DISCONTINUED OPERATIONS

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business ICT services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million.

In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current period and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations.

As a result of the sale, which is subject to closing adjustments, Cogeco Communications recognized the following gain on disposal for the third quarter and first nine months of fiscal 2019:

	$
Gross proceeds, net of cash disposed	**720,314**
Preliminary working capital adjustments	**(1,229)**
Transaction costs	**(10,903)**
Net proceeds from sale, net of cash disposed	**708,182**
Net assets disposed	**(625,738)**
Gain on disposal of a subsidiary	**82,444**

The following table presents the carrying value of the net assets disposed of:

	$
Trade and other receivables	19,988
Income taxes receivable	1,126
Prepaid expenses and other	8,532
Property, plant and equipment	361,774
Intangible assets	49,618
Other assets	9,594
Goodwill	272,591
Deferred tax assets	2,061
Trade and other payables	(22,416)
Provisions	(34)
Contract liabilities and other liabilities	(25,104)
Deferred tax liabilities	(22,183)
Foreign currency translation adjustment	(29,809)
	625,738

The profit or loss of the discontinued operations was as follows:

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018	Change	May 31, 2019	May 31, 2018	Change
	$	$	%	$	$	%
Revenue	42,177	69,986	(39.7)	174,990	208,123	(15.9)
Operating expenses	33,196	50,925	(34.8)	132,390	149,942	(11.7)
Adjusted EBITDA	8,981	19,061	(52.9)	42,600	58,181	(26.8)
Depreciation and amortization	—	24,602	(100.0)	43,999	72,325	(39.2)
Financial expense	(775)	(306)	—	(1,304)	(757)	72.3
Gain on disposal of a subsidiary	(82,444)	—	—	(82,444)	—	—
Profit (loss) before income taxes	92,200	(5,235)	—	82,349	(13,387)	—
Income taxes	9,749	130	—	8,889	9,942	(10.6)
Profit (loss) for the period from discontinued operations	82,451	(5,365)	—	73,460	(23,329)	—

REVENUE

For the third quarter and first nine months of fiscal 2019, revenue decreased by 39.7% and 15.9%, respectively, primarily due to a two-month and eight-month periods of revenue in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018 combined with higher churn and continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

For the third quarter and first nine months of fiscal 2019, operating expenses increased by 34.8% and 11.7%, respectively, mainly due to:

- a two-month and eight-month periods of operating expenses in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018;
- lower compensation expenses; and
- lower costs related to service delivery and cloud licensing; partly offset by
- costs related to the closure of a data centre.

ADJUSTED EBITDA

For the third quarter and first nine months of fiscal 2019, adjusted EBITDA decreased by 52.9% and 26.8% as a result of a two-month and eight-month periods of operating results in fiscal 2019 compared to three-month and nine-month periods in fiscal 2018 combined with a higher decline in revenue.

CASH FLOW

The cash flows of the discontinued operations were as follows:

	Three months ended			Nine months ended		
	May 31, 2019	May 31, 2018	Change	May 31, 2019	May 31, 2018	Change
	$	$	%	$	$	%
Cash flow from operating activities	22,799	18,675	22.1	41,962	37,167	12.9
Cash flow from investing activities	711,550	(11,775)	—	691,729	(34,011)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	56	83	(32.5)	116	44	—
Net change in cash and cash equivalents from discontinued operations	734,405	6,983	—	733,807	3,200	—

10. FISCAL 2020 PRELIMINARY FINANCIAL GUIDELINES

10.1 CONSOLIDATED

The following section contains forward-looking statements concerning the business outlook for Cogeco. For a description of risk factors that could cause actual results to differ materially from what Cogeco expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A and of the Corporation's 2018 annual MD&A.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

The Corporation's fiscal 2020 preliminary financial guidelines are mainly driven by those of the Communications segment which are described below.

The following table outlines fiscal 2020 preliminary financial guidelines ranges on a consolidated basis:

	Preliminary projections (prior to the adoption of IFRS 16) (1)
	Fiscal 2020 (2)
(in millions of dollars, except percentages)	$
Financial guidelines	
Revenue	Increase of 2% to 4%
Adjusted EBITDA	Increase of 2.5% to 4.5%
Acquisitions of property, plant and equipment	$465 to $485
Free cash flow(3)	Increase of 5% to 11%

(1) Fiscal 2020 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*.

(2) Fiscal 2020 preliminary financial guidelines are based on an estimated USD/CDN exchange rate of 1.33 USD/CDN.

(3) The assumed current income tax effective rate is approximatively 12%

10.2 COMMUNICATIONS SEGMENT

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2020 revenue to grow between 2% and 4% mainly as a result of organic growth in the American broadband services segment for both the residential and business sectors, the continued expansion in Florida and annual rate increases. In the Canadian broadband services segment, revenue growth should stem primarily from Internet customer additions and growth in the business sector.

On a constant currency and consolidated basis, fiscal 2020 adjusted EBITDA should grow between 2.5% and 4.5% mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

The capital intensity ratio should decrease as a result of revenue growth exceeding capital expenditures increase. In the American broadband services segment, higher capital expenditures are expected due to additional investments in our network infrastructure in the areas we serve, partly offset by lower capital expenditure due to the completion of equipment replacements in the MetroCast regions in fiscal 2019. In the Canadian broadband services segment, stable capital expenditures are expected as a result of lower customer premise equipment costs, offset by investments to expand our network footprint across Ontario and Québec combined with investments in digitalization projects.

Free cash flow on a constant currency and consolidated basis should increase between 5% and 11% mainly due to the growth of adjusted EBITDA, partly offset by higher capital expenditures.

The following table outlines fiscal 2020 preliminary financial guidelines ranges on a consolidated basis:

	Preliminary projections (prior to the adoption of IFRS 16) [1]
	Fiscal 2020 [2]
(in millions of dollars, except percentages)	$
Financial guidelines	
Revenue	Increase of 2% to 4%
Adjusted EBITDA	Increase of 2.5% to 4.5%
Acquisitions of property, plant and equipment	$460 to $480
Capital intensity	19% to 20%
Free cash flow[3]	Increase of 5% to 11%

(1) Fiscal 2020 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*.

(2) Fiscal 2020 preliminary financial guidelines are based on an estimated USD/CDN exchange rate of 1.33 USD/CDN.

(3) The assumed current income tax effective rate is approximatively 12%

11. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and 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 May 31, 2019, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and nine-month periods ended May 31, 2019.

12. 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. The following update should be read together with the uncertainties and main risk factors described in the 2018 Annual Report, which are hereby incorporated by reference.

On February 28, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") initiated a public consultation to review mobile wireless services in Canada. In this proceeding, the CRTC will consider three areas for review: (i) competition in the retail wireless market, (ii) the current wholesale mobile wireless service regulatory framework, with a focus on wholesale Mobile Virtual Network Operator ("MVNO") access, and (iii) the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC is concerned that the mobile wireless market continues to demonstrate a high degree of market concentration. To protect the interest of users and further the policy objectives of the *Telecommunications Act*, the CRTC has determined as a preliminary view in this Notice of Consultation, that it would be appropriate to mandate the national wireless carriers in Canada (Bell Mobility, Rogers Communications and Telus Communications) to provide wholesale MVNO access as an outcome of the proceeding. The CRTC received initial submissions on May 15, 2019, followed by a public hearing that is scheduled for January 13, 2020. A decision is expected sometime in mid-2020.

13. ACCOUNTING POLICIES

13.1 CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

IMPACTS OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

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

14. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco 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 from continuing operations; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period from continuing operations
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rates during the three and nine-month periods ended May 31, 2018 were 1.2846 USD/CDN and 1.2664 USD/CDN, respectively.	No comparable IFRS measure

14.1 FREE CASH FLOW RECONCILIATION

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018 (1)	May 31, 2019	May 31, 2018 (1)
(in thousands of dollars)	$	$	$	$
Cash flow from operating activities	**267,388**	171,757	**575,172**	369,698
Amortization of deferred transaction costs and discounts on long-term debt	**2,213**	4,826	**6,570**	16,514
Changes in non-cash operating activities	**(10,398)**	29,124	**101,801**	98,540
Income taxes paid	**(8,793)**	18,243	**40,242**	154,552
Current income taxes	**(13,510)**	(13,386)	**(45,354)**	(63,467)
Financial expense paid	**43,464**	58,807	**132,657**	129,204
Financial expense	**(42,802)**	(60,975)	**(137,088)**	(139,810)
Acquisition of property, plant and equipment	**(97,169)**	(98,950)	**(292,456)**	(296,438)
Free cash flow	**140,393**	109,446	**381,544**	268,793

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

14.2 ADJUSTED EBITDA RECONCILIATION

	Three months ended		Nine months ended	
	May 31, 2019	May 31, 2018 (1)	May 31, 2019	May 31, 2018 (1)
(in thousands of dollars)	$	$	$	$
Profit for the period from continuing operations	**102,559**	76,116	**272,972**	321,610
Income taxes	**23,490**	21,370	**67,268**	(29,976)
Financial expense	**42,802**	60,975	**137,088**	139,810
Depreciation and amortization	**119,929**	116,676	**361,659**	316,073
Integration, restructuring and acquisition costs	**1,155**	2,260	**12,012**	18,651
Adjusted EBITDA	**289,935**	277,397	**850,999**	766,168

(1) Fiscal 2018 was restated to comply with IFRS 15 and to reflect a change in accounting policy as well as to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

15. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	May 31,		February 28,		November 30,		August 31,	
(in thousands of dollars, except per share data)	2019	2018[1][2]	2019	2018[1][2]	2018[2]	2017[1][2]	2018[1][2]	2017
	$	$	$	$	$	$	$	$
Operations								
Revenue	617,617	598,877	608,574	554,143	607,361	516,733	592,277	578,519
Adjusted EBITDA	289,935	277,397	284,863	252,879	276,201	235,892	268,942	251,404
Integration, restructuring and acquisition costs	1,155	2,260	3,823	15,999	7,034	392	1,812	3,191
Profit for the period from continuing operations	102,559	76,116	87,646	161,914	82,767	83,580	78,340	—
Profit (loss) for the period from discontinued operations	82,451	(5,365)	(5,369)	(16,079)	(3,622)	(1,885)	(1,052)	—
Profit for the period	185,010	70,751	82,277	145,835	79,145	81,695	77,288	71,094
Profit for the period attributable to owners of the Corporation	59,883	25,155	25,667	46,618	26,168	29,499	25,165	22,312
Cash flow from								
Cash flow from operating activities	267,388	171,757	204,665	202,362	103,119	(4,421)	268,679	356,814
Acquisitions of property, plant and equipment	97,169	98,950	94,138	112,886	101,149	84,602	164,472	146,185
Free cash flow	140,393	109,446	128,229	59,726	112,922	99,621	51,353	51,841
Earnings (loss) per share[2]								
Basic								
From continuing operations	2.09	1.64	1.69	3.16	1.69	1.83	1.56	—
From discontinued operations	1.62	(0.10)	(0.10)	(0.31)	(0.08)	(0.04)	(0.02)	—
From continuing and discontinued operations	3.71	1.54	1.58	2.85	1.61	1.80	1.54	1.35
Diluted								
From continuing operations	2.07	1.63	1.67	3.13	1.68	1.82	1.55	—
From discontinued operations	1.61	(0.10)	(0.10)	(0.31)	(0.08)	(0.04)	(0.02)	—
From continuing and discontinued operations	3.68	1.52	1.57	2.82	1.60	1.78	1.53	1.34
Dividends per share	0.43	0.39	0.43	0.39	0.43	0.39	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) Results were restated to reclassify results from Cogeco Peer 1 as discontinued operations. For further details, please consult the "Discontinued operations" section.
(3) Per multiple and subordinate voting share.

15.1 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.

16. ADDITIONAL INFORMATION

This MD&A was prepared on July 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	/s/ Philippe Jetté
Louis Audet	Philippe Jetté
Executive Chairman of the Board	President and Chief Executive Officer

Cogeco Inc.
Montréal, Québec
July 10, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2019

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
			(restated, Note 2)		*(restated, Note 2)*
Revenue	*3*	**617,617**	598,877	**1,833,552**	1,669,753
Operating expenses	*7*	**327,682**	321,480	**982,553**	903,585
Integration, restructuring and acquisition costs	*4*	**1,155**	2,260	**12,012**	18,651
Depreciation and amortization	*8*	**119,929**	116,676	**361,659**	316,073
Financial expense	*9*	**42,802**	60,975	**137,088**	139,810
Profit before income taxes		**126,049**	97,486	**340,240**	291,634
Income taxes	*10*	**23,490**	21,370	**67,268**	(29,976)
Profit for the period from continuing operations		**102,559**	76,116	**272,972**	321,610
Profit (loss) for the period from discontinued operations	6	**82,451**	(5,365)	**73,460**	(23,329)
Profit for the period		**185,010**	70,751	**346,432**	298,281
Profit for the period attributable to:					
Owners of the Corporation		**59,883**	25,155	**111,718**	101,272
Non-controlling interest		**125,127**	45,596	**234,714**	197,009
		185,010	70,751	**346,432**	298,281
Earnings (loss) per share					
Basic	*11*				
Profit for the period from continuing operations		**2.09**	1.64	**5.46**	6.63
Profit (loss) for the period from discontinued operations		**1.62**	(0.10)	**1.44**	(0.45)
Profit for the period		**3.71**	1.54	**6.90**	6.18
Diluted	*11*				
Profit for the period from continuing operations		**2.07**	1.63	**5.41**	6.58
Profit (loss) for the period from discontinued operations		**1.61**	(0.10)	**1.43**	(0.45)
Profit for the period		**3.68**	1.52	**6.84**	6.13

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

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**185,010**	70,751	**346,432**	298,281
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	**(35,624)**	3,164	**(53,912)**	32,104
Related income taxes	**9,440**	(923)	**14,287**	(8,465)
	(26,184)	2,241	**(39,625)**	23,639
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**46,865**	16,144	**62,189**	50,777
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(21,820)**	(8,616)	**(29,802)**	(29,882)
Realized foreign currency translation adjustments on disposal of a subsidiary	**(29,809)**	—	**(29,809)**	—
Related income taxes	**—**	8	**—**	377
	(4,764)	7,536	**2,578**	21,272
	(30,948)	9,777	**(37,047)**	44,911
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**(10,106)**	(434)	**(16,280)**	5,072
Related income taxes	**2,682**	115	**4,388**	(1,343)
	(7,424)	(319)	**(11,892)**	3,729
	(38,372)	9,458	**(48,939)**	48,640
Comprehensive income for the period	**146,638**	80,209	**297,493**	346,921
Comprehensive income for the period attributable to:				
Owners of the Corporation	**42,216**	26,961	**88,175**	114,971
Non-controlling interest	**104,422**	53,248	**209,318**	231,950
	146,638	80,209	**297,493**	346,921

COGECO INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income $	Retained earnings $	Equity attributable to non-controlling interest $	Total shareholders' equity $
	(Note 13)		*(restated, Note 2)* *(Note 14)*	*(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	—	—	—	101,272	197,009	298,281
Other comprehensive income for the period	—	—	10,924	2,775	34,941	48,640
Comprehensive income for the period	—	—	10,924	104,047	231,950	346,921
Share-based payment	—	3,891	—	—	3,739	7,630
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(182)	—	—	3,570	3,388
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	—	—	—	—	388,907	388,907
Dividends (Note 13 C))	—	—	—	(19,175)	(47,917)	(67,092)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	24,187	(24,187)	—
Purchase and cancellation of subordinate voting shares	(832)	—	—	(7,345)	—	(8,177)
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	2,065	(2,055)	—	(10)	—	—
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	—	(1,469)	—	(43)	1,512	—
Total contributions by (distributions to) shareholders	(4,342)	185	—	(2,386)	316,272	309,729
Balance at May 31, 2018	109,679	7,829	35,499	542,177	1,658,760	2,353,944
Balance at August 31, 2018	**108,838**	**9,147**	**36,335**	**556,588**	**1,700,783**	**2,411,691**
Profit for the period	**—**	**—**	**—**	**111,718**	**234,714**	**346,432**
Other comprehensive loss for the period	**—**	**—**	**(15,695)**	**(7,848)**	**(25,396)**	**(48,939)**
Comprehensive income (loss) for the period	**—**	**—**	**(15,695)**	**103,870**	**209,318**	**297,493**
Share-based payment	**—**	**3,743**	**—**	**—**	**3,102**	**6,845**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(233)**	**—**	**—**	**4,127**	**3,894**
Dividends (Note 13 C))	**—**	**—**	**—**	**(20,887)**	**(53,082)**	**(73,969)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**(2,079)**	**2,079**	**—**
Purchase and cancellation of subordinate voting shares	**(1,922)**	**—**	**—**	**(15,887)**	**—**	**(17,809)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(3,371)**	**—**	**—**	**—**	**—**	**(3,371)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,714**	**(1,999)**	**—**	**(715)**	**—**	**—**
Purchase and cancellation of subordinate voting shares by a subsidiary	**—**	**—**	**—**	**(3,202)**	**(11,258)**	**(14,460)**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(2,504)**	**(2,504)**
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,447)**	**—**	**(96)**	**1,543**	**—**
Total contributions by (distributions to) shareholders	**(2,579)**	**64**	**—**	**(42,866)**	**(55,993)**	**(101,374)**
Balance at May 31, 2019	**106,259**	**9,211**	**20,640**	**617,592**	**1,854,108**	**2,607,810**

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

(In thousands of Canadian dollars)	*Notes*	May 31, 2019 $	August 31, 2018 $	September 1, 2017 $
			(restated, Note 2)	*(restated, Note 2)*
Assets				
Current				
Cash and cash equivalents		448,424	86,352	212,283
Short-term investments		—	—	54,000
Trade and other receivables		101,415	118,718	112,092
Income taxes receivable		15,595	25,697	4,277
Prepaid expenses and other		27,126	30,444	21,737
Derivative financial instruments		371	1,330	98
		592,931	262,541	404,487
Non-current				
Other assets		37,959	42,949	36,235
Property, plant and equipment		2,019,875	2,337,751	1,985,366
Intangible assets		2,981,458	3,007,306	2,016,683
Goodwill		1,412,525	1,627,031	1,042,009
Derivative financial instruments		—	33,797	759
Pension plan assets		—	6,858	—
Deferred tax assets		19,678	17,314	24,762
		7,064,426	7,335,547	5,510,301

Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness		5,000	5,949	3,801
Trade and other payables		201,542	320,306	337,667
Provisions		33,533	26,137	23,260
Income tax liabilities		14,248	16,133	103,650
Contract liabilities and other liabilities		47,786	59,967	76,964
Balance due on business combinations		6,599	—	118
Derivative financial instruments		—	—	192
Current portion of long-term debt	*12*	23,018	77,209	131,935
		331,726	505,701	677,587
Non-current				
Long-term debt	*12*	3,496,827	3,817,935	2,479,421
Derivative financial instruments		19,028	—	—
Contract liabilities and other liabilities		14,341	20,125	12,992
Pension plan liabilities and accrued employee benefits		16,980	5,390	7,709
Deferred tax liabilities		577,714	574,705	635,298
		4,456,616	4,923,856	3,813,007
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	*13 B)*	106,259	108,838	114,021
Share-based payment reserve		9,211	9,147	7,644
Accumulated other comprehensive income	*14*	20,640	36,335	24,575
Retained earnings		617,592	556,588	440,516
		753,702	710,908	586,756
Equity attributable to non-controlling interest		1,854,108	1,700,783	1,110,538
		2,607,810	2,411,691	1,697,294
		7,064,426	7,335,547	5,510,301

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars)		**$**	$	**$**	$
			(restated, Note 2)		*(restated, Note 2)*
Cash flow from operating activities					
Profit for the period from continuing operations		**102,559**	76,116	**272,972**	321,610
Adjustments for:					
Depreciation and amortization	*8*	**119,929**	116,676	**361,659**	316,073
Financial expense	*9*	**42,802**	60,975	**137,088**	139,810
Income taxes	*10*	**23,490**	21,370	**67,268**	(29,976)
Share-based payment	*13 D)*	**1,286**	2,497	**7,376**	4,856
Loss on disposals and write-offs of property, plant and equipment		**938**	509	**1,619**	1,276
Defined benefit plans expense, net of contributions		**657**	(212)	**1,890**	(1,655)
		291,661	277,931	**849,872**	751,994
Changes in non-cash operating activities	*15 A)*	**10,398**	(29,124)	**(101,801)**	(98,540)
Financial expense paid		**(43,464)**	(58,807)	**(132,657)**	(129,204)
Income taxes paid		**8,793**	(18,243)	**(40,242)**	(154,552)
		267,388	171,757	**575,172**	369,698
Cash flow from investing activities					
Acquisition of property, plant and equipment		**(97,169)**	(98,950)	**(292,456)**	(296,438)
Redemption of short-term investments		**—**	34,000	**—**	54,000
Business combinations, net of cash and cash equivalents acquired	*5*	**—**	5,222	**(56,050)**	(1,756,935)
Proceeds on disposals of property, plant and equipment		**382**	195	**1,608**	1,239
		(96,787)	(59,533)	**(346,898)**	(1,998,134)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		**(33,174)**	11,984	**(949)**	12,886
Net increase (decrease) under the revolving facilities		**(422,994)**	392,013	**(418,536)**	403,896
Issuance of long-term debt, net of discounts and transaction costs		**—**	—	**—**	2,082,408
Repayments of long-term debt		**(5,754)**	(611,445)	**(72,004)**	(1,323,511)
Repayment of balance due on a business combination		**—**	—	**(655)**	(118)
Increase in deferred transaction costs		**—**	—	**(612)**	(3,200)
Purchase and cancellation of subordinate voting shares		**(14,163)**	(850)	**(17,809)**	(8,177)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*13 B)*	**(3,371)**	—	**(3,371)**	(5,575)
Dividends paid on multiple voting shares	*13 C)*	**(780)**	(707)	**(2,339)**	(2,133)
Dividends paid on subordinate voting shares	*13 C)*	**(6,150)**	(5,677)	**(18,548)**	(17,042)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**2,605**	313	**3,894**	3,388
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		**—**	(140)	**—**	388,907
Purchase and cancellation of subordinate voting shares by a subsidiary		**(14,460)**	—	**(14,460)**	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(2,504)**	—	**(2,504)**	(9,352)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(17,709)**	(15,966)	**(53,082)**	(47,917)
		(518,454)	(230,475)	**(600,975)**	1,474,460
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**1,710**	555	**966**	2,052
Net change in cash and cash equivalents from continuing operations		**(346,143)**	(117,696)	**(371,735)**	(151,924)
Net change in cash and cash equivalents from discontinued operations	*6*	**734,405**	6,983	**733,807**	3,200
Cash and cash equivalents, beginning of the period		**60,162**	174,272	**86,352**	212,283
Cash and cash equivalents, end of the period		**448,424**	63,559	**448,424**	63,559

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).

On April 30, 2019, Cogeco Communications completed the sale of its Cogeco Peer 1 subsidiary (see Note 6).

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 the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2018 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2018 annual consolidated financial statements, unless as mentioned in Note 2. Certain comparative figures have been restated to conform to the retrospective application of the newly adopted accounting policies (Note 2) and to distinguish the impact of the discontinued operations from ongoing operations (Note 6). The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the 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 July 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 the accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three and nine-month periods ended May 31, 2018, the year ended August 31, 2018 and the consolidated statements of financial position as at August 31, 2018 and September 1, 2017. The impact on the Corporation's consolidated financial statements of adopting these accounting policies is provided below.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Three months ended May 31, 2018	As previously reported $	IFRS 15 impact $	Reclassification impact $	As currently reported **$**
Revenue	598,942	(65)	—	598,877
Operating expenses	322,762	(227)	(1,055)	321,480
Integration, restructuring and acquisition costs	2,260	—	—	2,260
Depreciation and amortization	116,227	(749)	1,198	116,676
Financial expense	60,975	—	—	60,975
Profit before income taxes	96,718	911	(143)	97,486
Income taxes	21,224	184	(38)	21,370
Profit for the period from continuing operations	75,494	727	(105)	76,116
Loss for the period from discontinued operations	(5,365)	—	—	(5,365)
Profit for the period	70,129	727	(105)	70,751
Profit for the period attributable to:				
Owners of the Corporation	24,976	209	(30)	25,155
Non-controlling interest	45,153	518	(75)	45,596
	70,129	727	(105)	70,751
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	1.63			1.64
Loss for the period from discontinued operations	(0.10)			(0.10)
Profit for the period	1.53			1.54
Diluted				
Profit for the period from continuing operations	1.62			1.63
Loss for the period from discontinued operations	(0.10)			(0.10)
Profit for the period	1.51			1.52

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

Nine months ended May 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	1,670,103	(350)	—	1,669,753
Operating expenses	906,923	(1)	(3,337)	903,585
Integration, restructuring and acquisition costs	18,651	—	—	18,651
Depreciation and amortization	314,273	(2,016)	3,816	316,073
Financial expense	139,810	—	—	139,810
Profit before income taxes	290,446	1,667	(479)	291,634
Income taxes	(28,555)	(1,294)	(127)	(29,976)
Profit for the period from continuing operations	319,001	2,961	(352)	321,610
Loss for the period from discontinued operations	(23,329)	—	—	(23,329)
Profit for the period	295,672	2,961	(352)	298,281
Profit for the period attributable to:				
Owners of the Corporation	100,475	905	(108)	101,272
Non-controlling interest	195,197	2,056	(244)	197,009
	295,672	2,961	(352)	298,281
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	6.58			6.63
Loss for the period from discontinued operations	(0.45)			(0.45)
Profit for the period	6.13			6.18
Diluted				
Profit for the period from continuing operations	6.53			6.58
Loss for the period from discontinued operations	(0.45)			(0.45)
Profit for the period	6.08			6.13

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

Year ended August 31, 2018	As previously reported $	IFRS 15 impact $	Reclassification impact $	As currently reported $
Revenue	2,262,223	(193)	—	2,262,030
Operating expenses	1,232,018	(619)	(4,479)	1,226,920
Integration, restructuring and acquisition costs	20,463	—	—	20,463
Depreciation and amortization	435,115	(2,827)	4,883	437,171
Financial expense	188,186	—	—	188,186
Profit before income taxes	386,441	3,253	(404)	389,290
Income taxes	(9,653)	(1,129)	122	(10,660)
Profit for the year from continuing operations	396,094	4,382	(526)	399,950
Loss for the year from discontinued operations	(24,381)	—	—	(24,381)
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 (loss) per share				
Basic				
Profit for the year from continuing operations	8.12			8.19
Loss for the year from discontinued operations	(0.47)			(0.47)
Profit for the year	7.65			7.72
Diluted				
Profit for the year from continuing operations	8.06			8.13
Loss for the year from discontinued operations	(0.47)			(0.47)
Profit for the year	7.59			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 May 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	75,494	727	(105)	76,116
Adjustments for:				
Depreciation and amortization	116,227	(749)	1,198	116,676
Financial expense	60,975	—	—	60,975
Income taxes	21,224	184	(38)	21,370
Share-based payment	2,497	—	—	2,497
Loss on disposals and write-offs of property, plant and equipment	509	—	—	509
Defined benefit plans expense, net of contributions	(212)	—	—	(212)
	276,714	162	1,055	277,931
Changes in non-cash operating activities	(27,347)	(1,777)	—	(29,124)
Financial expense paid	(58,807)	—	—	(58,807)
Income taxes paid	(18,243)	—	—	(18,243)
	172,317	(1,615)	1,055	171,757
Cash flow from investing activities				
Acquisition of property, plant and equipment	(95,696)	707	(3,961)	(98,950)
Acquisition of intangible and other assets	(3,814)	908	2,906	—
Redemption of a short-term investment	34,000	—	—	34,000
Business combination, net of cash and cash equivalents acquired	5,222	—	—	5,222
Proceeds on disposals of property, plant and equipment	195	—	—	195
	(60,093)	1,615	(1,055)	(59,533)
Cash flow from financing activities				
Increase in bank indebtedness	11,984	—	—	11,984
Net increase under the revolving facilities	392,013	—	—	392,013
Repayments of long-term debt	(611,445)	—	—	(611,445)
Purchase and cancellation of subordinate voting shares	(850)	—	—	(850)
Dividends paid on multiple voting shares	(707)	—	—	(707)
Dividends paid on subordinate voting shares	(5,677)	—	—	(5,677)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	313	—	—	313
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	(140)	—	—	(140)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	(15,966)	—	—	(15,966)
	(230,475)	—	—	(230,475)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	555	—	—	555
Net change in cash and cash equivalents from continuing operations	(117,696)	—	—	(117,696)
Net change in cash and cash equivalents from discontinued operations	6,983	—	—	6,983
Cash and cash equivalents, beginning of the period	174,272	—	—	174,272
Cash and cash equivalents, end of the period	63,559	—	—	63,559

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

Nine months ended May 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	319,001	2,961	(352)	321,610
Adjustments for:				
Depreciation and amortization	314,273	(2,016)	3,816	316,073
Financial expense	139,810	—	—	139,810
Income taxes	(28,555)	(1,294)	(127)	(29,976)
Share-based payment	4,856	—	—	4,856
Loss on disposals and write-offs of property, plant and equipment	1,276	—	—	1,276
Defined benefit plans contributions, net of expense	(1,655)	—	—	(1,655)
	749,006	(349)	3,337	751,994
Changes in non-cash operating activities	(93,446)	(5,094)	—	(98,540)
Financial expense paid	(129,204)	—	—	(129,204)
Income taxes paid	(154,552)	—	—	(154,552)
	371,804	(5,443)	3,337	369,698
Cash flow from investing activities				
Acquisition of property, plant and equipment	(287,425)	3,030	(12,043)	(296,438)
Acquisition of intangible and other assets	(11,119)	2,413	8,706	—
Redemption of short-term investments	54,000	—	—	54,000
Business combination, net of cash and cash equivalents acquired	(1,756,935)	—	—	(1,756,935)
Proceeds on disposals of property, plant and equipment	1,239	—	—	1,239
	(2,000,240)	5,443	(3,337)	(1,998,134)
Cash flow from financing activities				
Increase in bank indebtedness	12,886	—	—	12,886
Net increase under the revolving facilities	403,896	—	—	403,896
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(1,323,511)	—	—	(1,323,511)
Repayment of balance due on a business combination	(118)	—	—	(118)
Increase in deferred transaction costs	(3,200)	—	—	(3,200)
Purchase and cancellation of subordinate voting shares	(8,177)	—	—	(8,177)
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	(2,133)	—	—	(2,133)
Dividends paid on subordinate voting shares	(17,042)	—	—	(17,042)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	3,388	—	—	3,388
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	(47,917)	—	—	(47,917)
	1,474,460	—	—	1,474,460
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	2,052	—	—	2,052
Net change in cash and cash equivalents from continuing operations	(151,924)	—	—	(151,924)
Net change in cash and cash equivalents from discontinued operations	3,200	—	—	3,200
Cash and cash equivalents, beginning of the period	212,283	—	—	212,283
Cash and cash equivalents, end of the period	63,559	—	—	63,559

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

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the year from continuing operations	396,094	4,382	(526)	399,950
Adjustments for:				
Depreciation and amortization	435,115	(2,827)	4,883	437,171
Financial expense	188,186	—	—	188,186
Income taxes	(9,653)	(1,129)	122	(10,660)
Share-based payment	7,657	—	—	7,657
Loss on disposals and write-offs of property, plant and equipment	1,925	—	—	1,925
Defined benefit plans contributions, net of expense	(448)	—	—	(448)
	1,018,876	426	4,479	1,023,781
Changes in non-cash operating activities	(19,773)	(7,258)	—	(27,031)
Financial expense paid	(177,305)	—	—	(177,305)
Income taxes paid	(181,068)	—	—	(181,068)
	640,730	(6,832)	4,479	638,377
Cash flow from investing activities				
Acquisition of property, plant and equipment	(448,256)	3,631	(16,285)	(460,910)
Acquisition of intangible and other assets	(15,007)	3,201	11,806	—
Acquisition of Spectrum licenses	(32,306)	—	—	(32,306)
Redemption of short-term investments	54,000	—	—	54,000
Business combination, net of cash and cash equivalents acquired	(1,756,935)	—	—	(1,756,935)
Proceeds on disposals of property, plant and equipment	1,390	—	—	1,390
	(2,197,114)	6,832	(4,479)	(2,194,761)
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 a foreign currency	1,989	—	—	1,989
Net change in cash and cash equivalents from continuing operations	(142,264)	—	—	(142,264)
Net change in cash and cash equivalents from discontinued operations	16,333	—	—	16,333
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

	Communications		Other		Consolidated	
					Three months ended May 31,	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Revenue						
Residential [(1)]	515,407	500,718	—	—	515,407	500,718
Commercial [(2)]	64,903	57,670	—	—	64,903	57,670
Other [(3)]	7,035	8,691	30,272	31,798	37,307	40,489
	587,345	567,079	30,272	31,798	617,617	598,877

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

	Communications		Other		Consolidated	
					Nine months ended May 31,	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
Revenue						
Residential [(1)]	1,537,029	1,399,065	—	—	1,537,029	1,399,065
Commercial [(2)]	189,053	160,826	—	—	189,053	160,826
Other [(3)]	22,065	21,329	85,405	88,533	107,470	109,862
	1,748,147	1,581,220	85,405	88,533	1,833,552	1,669,753

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

4. OPERATING SEGMENTS

The Corporation's segment profit 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.

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 the amounts agreed to 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 May 31,	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
		(restated, Note 2)				*(restated, Note 2)*
Revenue (1)	**587,345**	567,079	**30,272**	31,798	**617,617**	598,877
Operating expenses	**298,444**	294,819	**29,238**	26,661	**327,682**	321,480
Management fees – Cogeco Inc.	**4,974**	4,327	**(4,974)**	(4,327)	**—**	—
Segment profit	**283,927**	267,933	**6,008**	9,464	**289,935**	277,397
Integration, restructuring and acquisition costs (2)	**1,003**	2,260	**152**	—	**1,155**	2,260
Depreciation and amortization	**119,141**	115,817	**788**	859	**119,929**	116,676
Financial expense	**42,093**	60,261	**709**	714	**42,802**	60,975
Profit before income taxes	**121,690**	89,595	**4,359**	7,891	**126,049**	97,486
Income taxes	**22,119**	19,070	**1,371**	2,300	**23,490**	21,370
Profit for the period from continuing operations	**99,571**	70,525	**2,988**	5,591	**102,559**	76,116
Acquisition of property, plant and equipment	**96,116**	98,660	**1,053**	290	**97,169**	98,950

(1) For the three-month period ended May 31, 2019, revenue by geographic market includes $356,080 in Canada ($361,068 in 2018) and $261,537 in the United States ($237,809 in 2018).

(2) For the three-month period ended May 31, 2019, comprised of integration, restructuring and acquisition costs in the Communications segment and acquisition and integration costs in the Other segment. For the three-month period ended May 31, 2018, comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

	Communications		Other		Consolidated	
Nine months ended May 31,	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
		(restated, Note 2)				*(restated, Note 2)*
Revenue (1)	**1,748,147**	1,581,220	**85,405**	88,533	**1,833,552**	1,669,753
Operating expenses	**901,147**	823,648	**81,406**	79,937	**982,553**	903,585
Management fees – Cogeco Inc.	**14,670**	14,165	**(14,670)**	(14,165)	**—**	—
Segment profit	**832,330**	743,407	**18,669**	22,761	**850,999**	766,168
Integration, restructuring and acquisition costs (2)	**10,438**	18,651	**1,574**	—	**12,012**	18,651
Depreciation and amortization	**359,169**	313,583	**2,490**	2,490	**361,659**	316,073
Financial expense	**135,065**	137,747	**2,023**	2,063	**137,088**	139,810
Profit before income taxes	**327,658**	273,426	**12,582**	18,208	**340,240**	291,634
Income taxes	**63,153**	(35,282)	**4,115**	5,306	**67,268**	(29,976)
Profit for the period from continuing operations	**264,505**	308,708	**8,467**	12,902	**272,972**	321,610
Total assets (3)	**6,887,752**	7,180,043	**176,674**	155,504	**7,064,426**	7,335,547
Property, plant and equipment (3)	**2,003,945**	2,323,678	**15,930**	14,073	**2,019,875**	2,337,751
Intangible assets (3)	**2,894,186**	2,927,388	**87,272**	79,918	**2,981,458**	3,007,306
Goodwill (3)	**1,385,630**	1,608,446	**26,895**	18,585	**1,412,525**	1,627,031
Acquisition of property, plant and equipment	**289,446**	295,489	**3,010**	949	**292,456**	296,438

(1) For the nine-month period ended May 31, 2019, revenue by geographic market includes $1,060,437 in Canada ($1,068,824 in 2018) and $773,115 in the United States ($600,929 in 2018).

(2) For the nine-month period ended May 31, 2019, comprised of integration, restructuring and acquisition costs in the Communications segment and acquisition and integration costs in the Other segment. For the nine-month period ended May 31, 2018, comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

(3) At May 31, 2019 and August 31, 2018.

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

The following tables set out certain geographic market information at May 31, 2019 and August 31, 2018:

			At May 31, 2019
	Canada	**United States**	**Total**
	$	$	$
Property, plant and equipment	1,125,253	894,622	2,019,875
Intangible assets	1,084,538	1,896,920	2,981,458
Goodwill	31,557	1,380,968	1,412,525

				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

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. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's existing south Florida footprint.

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
	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. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

On April 30, 2019, Cogeco Communications completed the sale of its Cogeco Peer 1 subsidiary. As a result of the sale, which is subject to closing adjustments, the Corporation recognized the following gain on disposal in the interim consolidated statement of profit or loss for the three-month period ended May 31, 2019:

	$
Gross proceeds, net of cash disposed	720,314
Preliminary working capital adjustments	(1,229)
Transaction costs	(10,903)
Net proceeds from sale, net of cash disposed	708,182
Net assets disposed	(625,738)
Gain on disposal of a subsidiary	**82,444**

The following table presents the carrying value of the net assets disposed of:

	$
Trade and other receivables	19,988
Income taxes receivable	1,126
Prepaid expenses and other	8,532
Property, plant and equipment	361,774
Intangible assets	49,618
Other assets	9,594
Goodwill	272,591
Deferred tax assets	2,061
Trade and other payables	(22,416)
Provisions	(34)
Contract liabilities and other liabilities	(25,104)
Deferred tax liabilities	(22,183)
Foreign currency translation adjustment	(29,809)
	625,738

As a result and in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Corporation reclassified the current and prior year results and cash flows of Cogeco Peer 1 as discontinued operations separate from the Corporation's continuing operations. The results of Cogeco Peer 1 are excluded from both continuing operations and operating segments information in the interim consolidated financial statements and the notes to the interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the interim consolidated statement of profit or loss for the current and comparative periods.

The profit or loss of the discontinued operations was as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2019 (1)	2018	**2019** (1)	2018
	$	$	**$**	$
Revenue	**42,177**	69,986	**174,990**	208,123
Operating expenses	**33,196**	50,925	**132,390**	149,942
Depreciation and amortization	**—**	24,602	**43,999**	72,325
Financial expense	**(775)**	(306)	**(1,304)**	(757)
Gain on disposal of a subsidiary	**(82,444)**	—	**(82,444)**	—
Profit (loss) before income taxes	**92,200**	(5,235)	**82,349**	(13,387)
Income taxes	**9,749**	130	**8,889**	9,942
Profit (loss) for the period from discontinued operations	**82,451**	(5,365)	**73,460**	(23,329)

(1) Fiscal 2019 amounts reflect the two and eight-month periods ending April 30,2019.

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

The cash flows of the discontinued operations were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2019 (1)	2018	2019 (1)	2018
	$	$	$	$
Cash flow from operating activities	22,799	18,675	41,962	37,167
Cash flow from investing activities	711,550	(11,775)	691,729	(34,011)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	56	83	116	44
Net change in cash and cash equivalents from discontinued operations	734,405	6,983	733,807	3,200

(1) Fiscal 2019 amounts reflect the two and eight-month periods ended April 30,2019.

7. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
	$	$	$	$
		(restated, Note 2)		*(restated, Note 2)*
Salaries, employee benefits and outsourced services	106,673	101,154	316,438	287,128
Service delivery costs (1)	167,961	164,512	507,578	459,936
Customer related costs (2)	22,480	19,924	66,254	58,012
Other external purchases (3)	30,568	35,891	92,283	98,510
	327,682	321,481	982,553	903,586

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

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

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

8. DEPRECIATION AND AMORTIZATION

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
	$	$	$	$
		(restated, Note 2)		*(restated, Note 2)*
Depreciation of property, plant and equipment	105,649	102,053	319,224	283,317
Amortization of intangible assets	14,280	14,623	42,435	32,756
	119,929	116,676	361,659	316,073

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

9. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Interest on long-term debt (1)	**44,744**	56,607	**137,578**	135,482
Net foreign exchange gains	**(2,144)**	(1,853)	**(2,452)**	(2,634)
Amortization of deferred transaction costs	**486**	453	**1,428**	1,489
Capitalized borrowing costs (2)	**(224)**	(338)	**(522)**	(1,912)
Other	**(60)**	6,106	**1,056**	7,385
	42,802	60,975	**137,088**	139,810

(1) In May 2018, in connection with the early reimbursement of the US$400 million Senior Secured Notes, an amount of $2.5 million of unamortized deferred transaction costs and a redemption premium of $6.2 million were charged to financial expense.In January 2018, in connection with the MetroCast acquisition, an amount of $7.3 million was charged to financial expense, representing the unamortized deferred financing costs pertaining to the early reimbursement of the Term Loan A-2, A-3 and B facilities.

(2) For the three and nine-month periods ended May 31, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Current	**13,510**	13,386	**45,354**	63,467
Deferred	**9,980**	7,984	**21,914**	(93,443)
	23,490	21,370	**67,268**	(29,976)

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 May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Profit before income taxes	**126,049**	97,486	**340,240**	291,634
Combined Canadian income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**33,403**	25,834	**90,164**	77,283
Adjustment for losses or profit subject to lower or higher tax rates	**(959)**	798	**63**	(37)
Impact on deferred taxes as a result of changes in substantively enacted tax rates (1)	**(288)**	—	**7**	(94,166)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(1,662)**	2,285	**(490)**	2,283
Tax impacts related to foreign operations	**(7,255)**	(6,530)	**(21,116)**	(15,274)
Other	**251**	(1,017)	**(1,360)**	(65)
Income taxes at effective income tax rate	**23,490**	21,370	**67,268**	(29,976)

(1) On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduced the general federal corporate tax rate from 35% to 21% starting after 2017. As a result, deferred income taxes and net deferred tax liabilities have been reduced by approximately $94 million (US$74 million).In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance.

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

11. EARNINGS PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Profit for the period from continuing operations attributable to owners of the Corporation	**33,744**	26,854	**88,424**	108,660
Profit (loss) for the period from discontinued operations attributable to owners of the Corporation	**26,139**	(1,699)	**23,294**	(7,388)
Profit for the period attributable to owners of the Corporation	**59,883**	25,155	**111,718**	101,272
Weighted average number of multiple and subordinate voting shares outstanding	**16,128,430**	16,368,545	**16,195,800**	16,389,650
Effect of dilutive incentive share units	**63,858**	61,534	**63,117**	58,798
Effect of dilutive performance share units	**72,727**	72,018	**72,511**	70,109
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,265,015**	16,502,097	**16,331,428**	16,518,557
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	**2.09**	1.64	**5.46**	6.63
Profit (loss) for the period from discontinued operations	**1.62**	(0.10)	**1.44**	(0.45)
Profit for the period	**3.71**	1.54	**6.90**	6.18
Diluted				
Profit for the period from continuing operations	**2.07**	1.63	**5.41**	6.58
Profit (loss) for the period from discontinued operations	**1.61**	(0.10)	**1.43**	(0.45)
Profit for the period	**3.68**	1.52	**6.84**	6.13

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

12. LONG-TERM DEBT

	Maturity	Interest rate		May 31, 2019	August 31, 2018
		%		$	$
Corporation					
Term Revolving Facility [1]					
Revolving loan		—		—	1,995
Revolving loan - US$20.5 million [2]	February 2024	3.44	[5]	27,730	—
Unsecured Debentures	November 2021	6.50		34,891	34,860
Finance lease	February 2022	4.27		65	81
Subsidiaries					
Term Revolving Facility [3]					
Canadian Revolving Facility					
Revolving loan – US$310 million at August 31, 2018	January 2024	—		—	404,705
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,731	32,540
Series B - US$150 million	September 2026	4.29		202,308	195,176
Senior Secured Notes Series B [4]		—		—	54,994
Senior Secured Notes - US$215 million	June 2025	4.30		289,953	279,711
Senior Secured Debentures Series 2	November 2020	5.15		199,694	199,544
Senior Secured Debentures Series 3	February 2022	4.93		199,407	199,255
Senior Secured Debentures Series 4	May 2023	4.18		298,618	298,381
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,683 million (US$1,695.8 million at August 31, 2018)	January 2025	4.69	[5] [6]	2,233,448	2,167,792
Senior Secured Revolving Facility - US$20 million at August 31, 2018	January 2023	—		—	26,110
				3,519,845	3,895,144
Less current portion				23,018	77,209
				3,496,827	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$20.5 million drawn under the Corporation's Revolving loan facility was hedged until June 28, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $27.6 million and the effective interest rate on the Canadian dollar equivalent at 2.66%.

(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) Cogeco Communications reimbursed the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

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

(6) 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 4.43%.

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

13. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

	May 31, 2019	August 31, 2018
	$	$
1,812,860 multiple voting shares	12	12
14,337,777 subordinate voting shares (14,574,435 at August 31, 2018)	116,436	118,358
	116,448	118,370
63,675 subordinate voting shares held in trust under the Incentive Share Unit Plan (61,375 at August 31, 2018)	(4,620)	(4,237)
73,254 subordinate voting shares held in trust under the Performance Share Unit Plan (72,359 at August 31, 2018)	(5,569)	(5,295)
	106,259	108,838

During the first nine 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]	(236,658)	(1,922)
Balance at May 31, 2019	14,337,777	116,436

(1) During the first nine months of fiscal 2019, Cogeco purchased and cancelled 236,658 subordinate voting shares with an average stated value of $1.9 million, for consideration of $17.8 million. The excess of the purchase price over the average stated value of the shares totaled $15.9 million and was charged to retained earnings.

During the first nine 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 acquired	18,576	1,507
Subordinate voting shares distributed to employees	(16,276)	(1,124)
Balance at May 31, 2019	63,675	4,620

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

During the first nine 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 acquired	22,623	1,864
Subordinate voting shares distributed to employees	(21,728)	(1,590)
Balance at May 31, 2019	73,254	5,569

C) DIVIDENDS

For the nine-month period ended May 31, 2019, quarterly eligible dividends of $0.43 per share, for a total of $1.29 per share or $20.9 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.39 per share, for a total of $1.17 per share or $19.2 million for the nine-month period ended May 31, 2018.

For the nine-month period ended May 31, 2019, quarterly eligible dividends of $0.525 per share, for a total of $1.575 per share or $53.1 million, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, compared to quarterly eligible dividends of $0.475 per share, for a total of $1.43 per share or $47.9 million for the nine-month period ended May 31, 2018.

	Nine months ended May 31,	
	2019	2018
	$	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	2,339	2,133
Dividends on subordinate voting shares	18,548	17,042
	20,887	19,175
Attributable to non-controlling interest		
Dividends on subordinate voting shares	53,082	47,917

At its July 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 August 7, 2019 to shareholders of record on July 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 nine-month period ended May 31, 2019, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at May 31, 2019 and August 31, 2018.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at May 31, 2019:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2018	819,393	65.27
Granted (1)	199,450	65.23
Exercised (2)	(71,101)	54.77
Cancelled	(134,550)	72.43
Outstanding at May 31, 2019	813,192	64.99
Exercisable at May 31, 2019	363,407	56.82

(1) During the nine-month period ended May 31, 2019, 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 $77.55.

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

A compensation expense of $44,000 and $976,000 ($474,000 and $1,225,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to this plan.

The weighted average fair value of stock options granted by Cogeco Communications for the nine-month period ended May 31, 2019 was $9.52 per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

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

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	61,700
Granted	18,800
Distributed	(16,276)
Cancelled	(549)
Outstanding at May 31, 2019	63,675

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	105,475
Granted	37,300
Distributed	(38,326)
Cancelled	(26,780)
Outstanding at May 31, 2019	77,669

A compensation expense of $938,000 and $2,761,000 ($988,000 and $2,744,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to these plans.

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	72,946
Granted	19,475
Performance-based additional units granted	3,045
Distributed	(21,728)
Cancelled	(2,270)
Dividend equivalents	1,364
Outstanding at May 31, 2019	72,832

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

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	133,181
Granted [1]	45,175
Performance-based additional units granted	200
Distributed	(30,062)
Cancelled	(31,825)
Dividend equivalents	3,051
Outstanding at May 31, 2019	**119,720**

(1) During the nine-month period ended May 31, 2019, Cogeco Communications granted 14,625 PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $840,000 and $3,108,000 ($1,222,000 and $3,661,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to these plans.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	41,806
Issued	4,216
Redeemed	(13,966)
Dividend equivalents	676
Outstanding at May 31, 2019	**32,894**

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at May 31, 2019:

Outstanding at August 31, 2018	42,607
Issued	11,328
Redeemed	(12,351)
Dividend equivalents	887
Outstanding at May 31, 2019	**42,471**

A compensation expense of $1,720,000 and $2,787,000 (compensation expense reduction of $187,000 and $185,000 in 2018) was recorded for the three and nine-month periods ended May 31, 2019 related to these plans.

14. 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	7,486	3,438	10,924
Balance at May 31, 2018	7,616	27,883	35,499
Balance at August 31, 2018	8,166	28,169	36,335
Other comprehensive income	(12,545)	(3,150)	(15,695)
Balance at May 31, 2019	**(4,379)**	**25,019**	**20,640**

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

15. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Trade and other receivables	**4,969**	1,614	**(2,631)**	2,530
Prepaid expenses and other	**4,058**	2,142	**(4,325)**	(8,934)
Other assets	**(1,338)**	(1,433)	**(5,091)**	(4,363)
Trade and other payables	**(2,549)**	(15,692)	**(101,467)**	(80,393)
Provisions	**2,622**	3,324	**6,817**	3,915
Contract liabilities and other liabilities	**2,636**	(19,079)	**4,896**	(11,295)
	10,398	(29,124)	**(101,801)**	(98,540)

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	12,886	—	—	12,886
Net increase under the revolving facilities	—	—	403,896	403,896
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(1,323,511)	(1,323,511)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	12,886	(118)	1,162,793	1,175,561
Effect of changes in foreign exchange rates	—	—	101,635	101,635
Amortization of discounts and transaction costs	—	—	15,054	15,054
Total non-cash changes	—	—	116,689	116,689
Balance at May 31, 2018	16,687	—	3,890,838	3,907,525
Balance at August 31, 2018	5,949	—	3,895,144	3,901,093
Decrease in bank indebtedness	**(949)**	**—**	**—**	**(949)**
Net decrease under the revolving facilities	**—**	**—**	**(418,536)**	**(418,536)**
Repayment of long-term debt	**—**	**—**	**(72,004)**	**(72,004)**
Balance due on business combinations	**—**	**7,005**	**—**	**7,005**
Repayment of balance due on a business combination	**—**	**(655)**	**—**	**(655)**
Total cash flows from financing activities excluding equity	**(949)**	**6,350**	**(490,540)**	**(485,139)**
Effect of changes in foreign exchange rates	**—**	**249**	**110,068**	**110,317**
Amortization of discounts and transaction costs	**—**	**—**	**5,173**	**5,173**
Total non-cash changes	**—**	**249**	**115,241**	**115,490**
Balance at May 31, 2019	**5,000**	**6,599**	**3,519,845**	**3,531,444**

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

16. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**781**	671	**2,343**	2,066
Administrative expense	**119**	93	**357**	279
Recognized in financial expense (other)				
Net interest	**(49)**	3	**(132)**	21
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,489**	2,478	**7,375**	7,035
	3,340	3,245	**9,943**	9,401

17. 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 May 31, 2019, the Corporation had used $27.6 million of its $100 million Term Revolving Facility and an amount of $1.7 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $72.4 million and $798.3 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $202.9 million (US$150 million), of which $3.3 million (US$2.4 million) was used at May 31, 2019 for a remaining availability of $199.6 million (US $147.6 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 May 31, 2019, 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 May 31, 2019:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $7.1 million based on the outstanding debt at May 31, 2019.

(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 $12.3 million based on the outstanding debt at May 31, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at May 31, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$955.6 million	Net investments in foreign operations in US dollar

The exchange rates used to convert the US dollar currency into Canadian dollars for the statement of financial position accounts at May 31, 2019 was $1.3527 ($1.3055 at August 31, 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $76.5 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:

	May 31, 2019		August 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Long-term debt	**3,519,845**	**3,620,986**	3,895,144	3,980,600

C) CAPITAL MANAGEMENT

At May 31, 2019 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, which include the results from continuing and discontinued operations:

	May 31, 2019	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	**2.8**	3.4
Net indebtedness (3) / adjusted EBITDA (2)	**2.8**	3.5
Adjusted EBITDA (2) / financial expense (2)	**6.0**	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 May 31, 2019, which includes twelve months of Metrocast operations, and for the year ended August 31, 2018 which includes eight months of Metrocast operations.

(3) Net indebtedness is defined as the total of bank indebtedness, balance due on 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, which include the results from continuing and discontinued operations:

	May 31, 2019	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	**2.8**	3.5
Net indebtedness (3) / adjusted EBITDA (2)	**2.8**	3.5
Adjusted EBITDA (2) / financial expense (2)	**6.0**	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 May 31, 2019, which includes twelve months of Metrocast operations, and for the year ended August 31, 2018 which includes eight months of Metrocast operations.

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

18. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). Following the sale of Cogeco Peer 1 in the Communications segment, Cogeco Communications and Cogeco agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by Cogeco Communications to Cogeco, which was based on a percentage of the consolidated revenue of Cogeco Communications, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This new cost-plus methodology which became effective on May 1, 2019, was introduced to avoid future variations of the management fee percentage due to frequent changes to Cogeco Communications' consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For the three and nine-month periods ended May 31, 2019, management fees paid to Cogeco amounted to $5.0 million and $14.7 million, respectively, compared to $4.3 million and $14.2 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the nine-month periods ended May 31, 2019 and 2018, Cogeco Communications granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, as shown in the following table:

	Nine months ended May 31,	
	2019	2018
Stock options	**97,725**	126,425
PSU	**14,625**	19,025

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

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
	$	$	$	$
Stock options	**256**	240	**749**	635
ISU	**15**	—	**45**	1
PSU	**304**	254	**806**	736
DSU	**69**	—	**393**	—

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

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018
CONSOLIDATED					
Primary service units	2,707,227	2,703,223	2,711,932	2,751,383	2,782,705
Internet service customers	1,229,399	1,214,566	1,204,602	1,207,225	1,207,262
Video service customers	965,008	976,377	988,398	1,006,020	1,019,852
Telephony service customers	512,820	512,280	518,932	538,138	555,591
CANADA					
Primary service units	1,813,212	1,825,011	1,831,628	1,866,918	1,901,037
Internet service customers	785,703	785,004	778,996	782,277	787,007
Penetration as a percentage of homes passed	44.6%	44.7%	44.4%	44.7%	45.0%
Video service customers	657,747	668,771	675,699	688,768	699,554
Penetration as a percentage of homes passed	37.4%	38.1%	38.5%	39.3%	40.0%
Telephony service customers	369,762	371,236	376,933	395,873	414,476
Penetration as a percentage of homes passed	21.0%	21.1%	21.5%	22.6%	23.7%
UNITED STATES					
Primary service units	894,015	878,212	880,304	884,465	881,668
Internet service customers	443,696	429,562	425,606	424,948	420,255
Penetration as a percentage of homes passed(1)	50.7%	49.6%	49.2%	49.7%	49.8%
Video service customers	307,261	307,606	312,699	317,252	320,298
Penetration as a percentage of homes passed(1)	35.1%	35.5%	36.2%	37.1%	37.9%
Telephony service customers	143,058	141,044	141,999	142,265	141,115
Penetration as a percentage of homes passed(1)	16.3%	16.3%	16.4%	16.6%	16.7%

(1) 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.