SHAREHOLDERS' REPORT
Three and six-month periods ended February 28, 2019

FINANCIAL HIGHLIGHTS

	Three months ended					Six months ended				
	February 28, 2019	February 28, 2018[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]	**February 28, 2019**	February 28, 2018[1]	Change	Change in constant currency[2]	Foreign exchange impact[2]
(in thousands of Canadian dollars, except percentages and per share data)	**$**	$	%	%	$	**$**	$	%	%	$
Operations										
Revenue	**608,574**	554,143	9.8	7.3	13,884	**1,215,935**	1,070,876	13.5	11.3	24,157
Adjusted EBITDA[3]	**284,863**	252,879	12.6	10.3	5,958	**561,064**	488,771	14.8	12.7	10,297
Integration, restructuring and acquisition costs[4]	**3,823**	15,999	(76.1)			**10,857**	16,391	(33.8)		
Profit for the period from continuing operations	**87,646**	161,914	(45.9)			**170,413**	245,494	(30.6)		
Loss for the period from discontinued operations	**(5,369)**	(16,079)	(66.6)			**(8,991)**	(17,964)	(49.9)		
Profit for the period	**82,277**	145,835	(43.6)			**161,422**	227,530	(29.1)		
Profit for the period attributable to owners of the Corporation	**25,667**	46,618	(44.9)			**51,835**	76,117	(31.9)		
Cash flow from continuing operations										
Cash flow from operating activities	**204,665**	202,362	1.1			**307,784**	197,941	55.5		
Acquisitions of property, plant and equipment[5]	**94,138**	112,886	(16.6)	(19.6)	3,346	**195,287**	197,488	(1.1)	(4.0)	5,767
Free cash flow[3]	**128,229**	59,726	—	—	630	**241,151**	159,347	51.3	50.6	1,146
Financial condition[6]										
Cash and cash equivalents						**60,162**	86,352	(30.3)		
Total assets						**7,354,638**	7,335,547	0.3		
Indebtedness[7]						**3,957,467**	3,951,791	0.1		
Equity attributable to owners of the Corporation						**740,635**	710,908	4.2		
Per Share Data[8]										
Earnings (loss) per share										
Basic										
From continuing operations	**1.69**	3.16	(46.5)			**3.37**	4.99	(32.5)		
From discontinued operations	**(0.10)**	(0.31)	(67.7)			**(0.18)**	(0.35)	(48.6)		
From continuing and discontinued operations	**1.58**	2.85	(44.6)			**3.19**	4.64	(31.3)		
Diluted										
From continuing operations	**1.67**	3.13	(46.6)			**3.34**	4.95	(32.5)		
From discontinued operations	**(0.10)**	(0.31)	(67.7)			**(0.18)**	(0.35)	(48.6)		
From continuing and discontinued operations	**1.57**	2.82	(44.3)			**3.17**	4.61	(31.2)		
Dividends	**0.43**	0.39	10.3			**0.86**	0.78	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 the Business ICT services operations 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 six-month periods ended February 28, 2018, the average foreign exchange rates used for translation were 1.2595 USD/CDN and 1.2574 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 six-month periods ended February 28, 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 six-month period ended February 28, 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 six-months periods ended February 28, 2019, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

(5) For the three and six-months periods ended February 28, 2019, acquisitions of property, plant and equipment in constant currency amounted to $90.8 million and $189.5 million, respectively.

(6) At February 28, 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 six-month periods ended February 28, 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 and the "Fiscal 2019 Revised Financial Guidelines" sections of this MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, 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.

More particularly and without restriction, this MD&A contains forward-looking statements and information regarding the anticipated benefits for the Corporation of the proposed sale transaction of Cogeco Peer 1, the future plans, objectives and intentions of the Corporation, the expected use of proceeds of the transaction and the anticipated timing of the completion of the transaction. In respect of the forward-looking statements and information concerning the anticipated benefits and timing of the completion of the proposed transaction, the Corporation has provided such statements and information in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the ability of the parties to satisfy, in a timely manner, the conditions to the completion of the transaction; and other expectations and assumptions concerning the proposed transaction. The anticipated timing for the completion of the transaction may change for a number of reasons, including the necessity to extend the time limits for satisfying the conditions to the completion of the proposed transaction. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct, that the proposed transaction will be completed or that it will be completed on the terms and conditions contemplated in this MD&A. Risks and uncertainties inherent in the nature of the proposed transaction include, without limitation, the failure of the parties to satisfy the conditions to the completion of the transaction; failure of the parties to satisfy such conditions in a timely manner; significant transaction costs or unknown liabilities; the failure to realize the expected benefits of the transaction; and general economic conditions. The failure of the parties to satisfy the conditions to the completion of the transaction or to complete the transaction, may result in the transaction not being completed on the proposed terms, or at all. In addition, if the transaction is not completed, there are risks that the announcement of the proposed transaction and the dedication of substantial resources to the completion of the transaction could have an impact on the Corporation's business and strategic relationships (including with future and prospective employees, customers, suppliers and partners), operating results and activities in general, and could have a material adverse effect on its current and future operations, financial condition and prospects.

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 six-month periods ended February 28, 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") vision is to be a leading communications and technology services company through strong customer relations built on trust and reliability. As our customers are at the core of everything we do, we continuously seek to innovate in our processes, operations, services and products while efficiently managing capital utilization to secure future growth. We are also dedicated to optimizing profitability and consequently increasing shareholder value.

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

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

COMMUNICATIONS SEGMENT

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

Canadian broadband services	American broadband services
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 six-month period ended February 28, 2019, revenue increased by 13.5% (11.3% in constant currency) mainly due to:

- a growth of 14.5% (12.1% 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 in the American broadband services operations, which was included in revenue for only a two-month period for the comparable period of the prior year; partly offset by
- a decrease of 2.8% in the Other segment mainly from a soft advertising market and increased competition in the media activities.

ADJUSTED EBITDA

For the six-month period ended February 28, 2019, adjusted EBITDA increased by 14.8% (12.7% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of the impact of MetroCast acquisition in the American broadband services operations, partly offset by a decrease in the Canadian broadband.

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

FREE CASH FLOW

For the six-month period ended February 28, 2019, free cash flow increased by 51.3% (50.6% 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; partly offset by
- the increase in financial expense.

3. BUSINESS DEVELOPMENTS AND OTHER

On February 27, 2019, Cogeco Communications announced that it had reached an agreement to sell Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony. The transaction, valued at $720 million, is expected to be completed during the third quarter of fiscal 2019 and is subject to customary closing conditions.

Operating and financial results as well as cash flows from the Business ICT services operations from both the current and comparable periods have therefore been reclassified 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	608,574	554,143	9.8	7.3	13,884
Operating expenses	323,711	301,264	7.5	4.8	7,926
Adjusted EBITDA	284,863	252,879	12.6	10.3	5,958

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 the Business ICT services operations 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	1,215,935	1,070,876	13.5	11.3	24,157
Operating expenses	654,871	582,105	12.5	10.1	13,860
Adjusted EBITDA	561,064	488,771	14.8	12.7	10,297

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 the Business ICT services operations 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 1.2574 USD/CDN.

REVENUE

Fiscal 2019 second-quarter revenue increased by 9.8% (7.3% in constant currency) compared to the same period of the prior year mainly due to:

- growth of 10.2% (7.6% in constant currency) in the Communications segment mostly as a result of the impact of the MetroCast acquisition completed on January 4, 2018; partly offset by
- a decrease of 0.6% in the Other segment resulting mainly from a soft advertising market and increased competition in the media activities.

For the first six months of fiscal 2019, revenue increased by 13.5% (11.3% in constant currency) mainly due to:

- growth of 14.5% (12.1% in constant currency) in the Communications segment mostly as a result of the impact of the MetroCast acquisition; partly offset by
- a decrease of 2.8% 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 second quarter and first six months of fiscal 2019, operating expenses increased by 7.5% and 12.5% (4.8% and 10.1% 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 second quarter and first six months of fiscal 2019, adjusted EBITDA increased by 12.6% and 14.8% (10.3% and 12.7% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of the impact of the MetroCast acquisition.

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

4.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

For the second quarter and first six months of fiscal 2019, integration, restructuring and acquisition costs amounted to $3.8 million and $10.9 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 six 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 second quarter and first six months of fiscal 2018, restructuring and acquisition costs amounted to $16.0 million and $16.4 million, respectively, due to the MetroCast acquisition completed on January 4, 2018.

4.3 DEPRECIATION AND AMORTIZATION

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	**February 28, 2019**	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation of property, plant and equipment	**106,874**	95,298	12.1	**213,575**	181,264	17.8
Amortization of intangible assets	**14,191**	11,705	21.2	**28,155**	18,133	55.3
	121,065	107,003	13.1	**241,730**	199,397	21.2

(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 the Business ICT services operations as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

For the second quarter and first six months of fiscal 2019, depreciation and amortization expense increased by 13.1% and 21.2%, respectively, mostly as a result of 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			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Interest on long-term debt	46,852	48,217	(2.8)	92,834	78,875	17.7
Net foreign exchange gains	(517)	(620)	(16.6)	(308)	(781)	(60.6)
Amortization of deferred transaction costs	486	405	20.0	942	1,036	(9.1)
Capitalized borrowing costs	(178)	(708)	(74.9)	(298)	(1,574)	(81.1)
Other	480	678	(29.2)	1,116	1,279	(12.7)
	47,123	47,972	(1.8)	94,286	78,835	19.6

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

Fiscal 2019 second-quarter financial expense decreased by 1.8% mainly as follows:

- the reimbursement at maturity of the Senior Secured Notes Series B on October 1, 2018; and
- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019; partly offset by
- higher 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.

For the first six months of fiscal 2019, financial expense increased by 19.6% mainly as follows:

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

4.5 INCOME TAXES

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Current	18,003	25,555	(29.6)	31,844	50,081	(36.4)
Deferred	7,203	(105,564)	—	11,934	(101,427)	—
	25,206	(80,009)	—	43,778	(51,346)	—

(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 the Business ICT services operations as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	**February 28, 2019**	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Profit before income taxes	**112,852**	81,905	37.8	**214,191**	194,148	10.3
Combined Canadian income tax rate	**26.5%**	26.5%	—	**26.5%**	26.5%	—
Income taxes at combined Canadian income tax rate	**29,906**	21,705	37.8	**56,761**	51,449	10.3
Adjustment for losses or profit subject to lower or higher tax rates	**205**	(2,910)	—	**1,022**	(835)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**295**	(94,052)	—	**295**	(94,166)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**1,191**	15	—	**1,172**	(2)	—
Tax impacts related to foreign operations	**(7,100)**	(5,038)	40.9	**(13,861)**	(8,744)	58.5
Other	**709**	271	—	**(1,611)**	952	—
	25,206	(80,009)	—	**43,778**	(51,346)	—

(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 the Business ICT services operations as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

For the second quarter and first six months of fiscal 2019, income taxes expenses amounted to $25.2 million and $43.8 million, respectively, compared to recoveries of $80.0 million and $51.3 million for the same periods 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 and the decrease in integration, restructuring and acquisition costs, partly offset by the increase in depreciation and amortization and by the increase in financial expense for the first six months; and
- the appreciation of the US dollar against the Canadian dollar compared to the same periods 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 accelerated tax depreciation will have a favorable impact on the current income tax expense of the Corporation in fiscal 2019 and will be accounted for in the second half 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			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	**February 28, 2019**	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages and earnings per share)	**$**	$	%	**$**	$	%
Profit for the period from continuing operations	**87,646**	161,914	(45.9)	**170,413**	245,494	(30.6)
Profit for the period	**82,277**	145,835	(43.6)	**161,422**	227,530	(29.1)
Profit for the period from continuing operations attributable to owners of the Corporation	**27,366**	51,710	(47.1)	**54,680**	81,806	(33.2)
Profit for the period attributable to owners of the Corporation	**25,667**	46,618	(44.9)	**51,835**	76,117	(31.9)
Profit for the period attributable to non-controlling interest(2)	**56,610**	99,217	(42.9)	**109,587**	151,413	(27.6)
Basic earnings per share from continuing operations	**1.69**	3.16	(46.5)	**3.37**	4.99	(32.5)
Basic earnings earnings per share	**1.58**	2.85	(44.6)	**3.19**	4.64	(31.3)

(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 the Business ICT services operations 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 second-quarter profit for the period from continuing operations, profit for the period, profit for the period from continuing operations attributable to owners of the Corporation and profit for the period attributable to owners of the Corporation decreased by 45.9%, 43.6%, 47.1% and 44.9%, respectively, as a result of:

- last year's $94 million income tax reduction following the United States tax reform; and
- the increase 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.

In addition, the variation of the profit for the period and of the profit for the period attributable to owners of the Corporation was also due to a lower loss from discontinued operations.

For the first six months of fiscal 2019, profit for the period from continuing operations, profit for the period, profit for the period from continuing operations attributable to owners of the Corporation and profit for the period attributable to owners of the Corporation decreased by 30.6%, 29.1%, 33.2% and 31.9%, 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 and financial expense 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.

In addition, the variation of the profit for the period and of the profit for the period attributable to owners of the Corporation was also due to a lower loss from discontinued operations.

5. RELATED PARTY TRANSACTIONS

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

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to January 4, 2018). In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. For the second quarter and first six months of fiscal 2019, management fees paid by Cogeco Communications Inc. amounted to $4.9 million and $9.7 million, respectively, compared to $5.1 million and $9.8 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the first six months of fiscal 2019, Cogeco Communications granted 97,725 (124,625 in 2018) stock options, did not grant any (nil in 2018) incentive share units ("ISUs") and granted 14,625 (18,750 in 2018) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During the second quarter and first six months of fiscal 2019, Cogeco Communications charged Cogeco $195,000 and $493,000 ($201,000 and $395,000 in 2018), $15,000 and $30,000 (nil and $1,000 in 2018) and $302,000 and $502,000 ($248,000 and $482,000 in 2018), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers. During the second quarter and first six months of fiscal 2019, the Corporation charged Cogeco $64,000 and $324,000 for deferred share units ("DSUs") issued to Board directors of Cogeco.

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

6. CASH FLOW ANALYSIS

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018 (1)	Change	February 28, 2019	February 28, 2018 (1)	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Cash flow from operating activities	204,665	202,362	1.1	307,784	197,941	55.5
Cash flow from investing activities	(93,288)	(1,874,557)	(95.0)	(250,111)	(1,938,601)	(87.1)
Cash flow from financing activities	(124,761)	1,722,089	—	(82,521)	1,704,935	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(568)	423	—	(744)	1,497	—
Net change in cash and cash equivalents from continuing operations	(13,952)	50,317	—	(25,592)	(34,228)	(25.2)
Net change in cash and cash equivalent from discontinued operations(2)	2,574	1,201	—	(598)	(3,783)	(84.2)
Cash and cash equivalents, beginning of the period	71,540	122,754	(41.7)	86,352	212,283	(59.3)
Cash and cash equivalents, end of the period	60,162	174,272	(65.5)	60,162	174,272	(65.5)

(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 the Business ICT services operations 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 second-quarter cash flow from operating activities increased by 1.1% 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; partly offset by
- the decrease in changes in non-cash operating activities primarily due to changes in working capital; and
- the increase in financial expense paid.

For the first six months of fiscal 2019, cash flow from operating activities increased by 55.5% 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; partly offset by
- the increase in changes in non-cash operating activities primarily due to changes in working capital; and
- the increase in financial expense paid.

6.2 INVESTING ACTIVITIES

For the second quarter and first six months of fiscal 2019, investing activities decreased by 95.0% and 87.1%, respectively, compared to the same periods 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, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC (the "FiberLight acquisition"). 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 second quarter and first six months of fiscal 2019, acquisitions of property, plant and equipment decreased by 16.6% and 1.1%, respectively, (19.6% and 4.0% 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 second-quarter free cash flow amounted $128.2 million compared to $59.7 million compared to the same period of the prior year mainly as a result of the following:

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

For the first six months of fiscal 2019, free cash flow increased by 51.3% (50.6% 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; partly offset by
- the increase in financial expense.

FINANCING ACTIVITIES

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

	Three months ended			Six months ended			
(in thousands of dollars)	**February 28, 2019**	February 28, 2018	Change	**February 28, 2019**	February 28, 2018	Change	Explanations
	$	$	$	**$**	$	$	
Increase (decrease) in bank indebtedness	**30,135**	(26,653)	56,788	**32,225**	902	31,323	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(124,114)**	7,381	(131,495)	**4,458**	11,883	(7,425)	Repayments of the revolving facilities in fiscal 2019 as a result of generated free cash flow.
Issuance of long-term debt, net of discounts and transaction costs	**—**	2,082,408	(2,082,408)	**—**	2,082,408	(2,082,408)	Issuance of a US$1.7 billion Senior Secured Term Loan B and drawing of US$40.4 million on the US $150 million Senior Secured Revolving Credit Facility to finance the MetroCast acquisition and refinance long-term debt in the second quarter of fiscal 2018.
Repayments of long-term debt	**(5,592)**	(705,072)	699,480	**(66,250)**	(712,066)	645,816	Reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018. Repayment of long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing.
Repayment of balance due on a business combination	**(655)**	—	(655)	**(655)**	(118)	(537)	Non significant.
	(100,226)	1,358,064	(1,458,290)	**(30,834)**	1,379,809	(1,410,643)	

DIVIDENDS

During the second quarter of fiscal 2019, a quarterly eligible dividend of $0.43 per share was paid to the holders of multiple and subordinate voting shares, totalling $7.0 million, compared to an eligible dividend paid of $0.39 per share, or $6.4 million in the second quarter of fiscal 2018. Dividend payment in the first six months totaled $0.86 per share, or $14.0 million, compared to $0.78 per share, or $12.8 million, in the prior year.

NORMAL COURSE ISSUER BID

During the second quarters of fiscal 2019 and 2018, Cogeco did not purchase and cancel subordinate voting shares. During the first six months of fiscal 2019, Cogeco purchased and cancelled 60,790 subordinate voting shares with an average stated value of $0.5 million for a consideration of $3.6 million compared to 89,348 subordinate voting shares with an average stated value of $0.7 million for a consideration of $7.3 million for the comparable period of the prior year.

6.4 DIVIDEND DECLARATION

At its April 9, 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 May 7, 2019 to shareholders of record on April 23, 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	584,129	529,855	10.2	7.6	13,884
Operating expenses	298,676	276,275	8.1	5.2	7,926
Management fees – Cogeco Inc.	4,901	5,110	(4.1)	(4.1)	—
Adjusted EBITDA	280,552	248,470	12.9	10.5	5,958
Adjusted EBITDA margin	48.0%	46.9%			
Acquisitions of property, plant and equipment	92,773	112,378	(17.4)	(20.4)	3,346

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 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 the Business ICT services operations 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 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	1,160,802	1,014,141	14.5	12.1	24,157
Operating expenses	602,703	528,829	14.0	11.3	13,860
Management fees – Cogeco Inc.	9,696	9,838	(1.4)	(1.4)	—
Adjusted EBITDA	548,403	475,474	15.3	13.2	10,297
Adjusted EBITDA margin	47.2%	46.9%			
Acquisitions of property, plant and equipment	193,330	196,829	(1.8)	(4.7)	5,767

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 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 the Business ICT services operations 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 1.2574 USD/CDN.

REVENUE

	Three months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	326,759	324,135	0.8	0.8	—
American broadband services	257,370	205,720	25.1	18.4	13,884
	584,129	529,855	10.2	7.6	13,884

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**649,224**	651,021	(0.3)	(0.3)	—
American broadband services	**511,578**	363,120	40.9	34.2	24,157
	1,160,802	1,014,141	14.5	12.1	24,157

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2574 USD/CDN.

Fiscal 2019 second-quarter revenue increased by 10.2% (7.6% in constant currency) resulting from:

- growth in the American broadband services operations mainly due to:
  - the impact of the MetroCast acquisition completed on January 4, 2018, which was included in revenue for only a two-month period for the comparable period of the prior year;
  - rate increases implemented in August 2018;
  - 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.
- an increase in the Canadian broadband services operations mainly as a result of:
  - rate increases implemented in November 2018 in both Ontario and Québec; and
  - higher net pricing from consumer sales; partly offset by
  - decreases in video and telephony services customers.

For the first six months of fiscal 2019, revenue increased by 14.5% (12.1% in constant currency) resulting from:

- growth in the American broadband services operations resulting from the elements mentioned above for the second quarter of fiscal 2019.
- a decrease in the Canadian broadband services operations mainly as a result of:
  - a higher decline in primary service units in the first quarter of fiscal 2019 from lower service activations mainly due to the stabilization phase following the migration to a new advanced customer management system in the second half of fiscal 2018; and
  - the impact of the timing of rate increases implemented in November 2018 in both Ontario and Québec compared to September 2017 and November 2017, respectively, for the same period of the prior year; partly offset by
  - higher net pricing from consumer sales.

OPERATING EXPENSES

	Three months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**152,091**	155,520	(2.2)	(2.4)	343
American broadband services	**140,225**	114,608	22.4	15.7	7,579
Inter-segment eliminations and other	**6,360**	6,147	3.5	3.4	4
	298,676	276,275	8.1	5.2	7,926

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	311,417	308,935	0.8	0.6	752
American broadband services	277,157	210,053	31.9	25.7	13,097
Inter-segment eliminations and other	14,129	9,841	43.6	43.5	11
	602,703	528,829	14.0	11.3	13,860

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2574 USD/CDN.

Fiscal 2019 second-quarter operating expenses increased by 8.1% (5.2% in constant currency) mainly from:

- additional costs in the American broadband services operations mainly due to:
  - the impact of the MetroCast acquisition which was included in operating expenses for only a two-month period for the comparable periods of the prior year;
  - 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; partly offset by
  - lower marketing initiatives due to the timing of certain initiatives.
- lower operating expenses in the Canadian broadband services operations as a result of:
  - lower programming costs as a result of lower primary service units; and
  - lower compensation expenses resulting from an operational optimization program in the first half of fiscal 2019.

For the first six months of fiscal 2019, operating expenses increased by 14.0% (11.3% in constant currency) mainly from:

- additional costs in the American broadband services operations resulting from the same elements mentioned above for the second quarter of fiscal 2019, partly offset by the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.
- higher operating expenses in the Canadian broadband services operations as a result of:
  - additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new advanced customer management system implemented in the third quarter of fiscal 2018; and
  - retroactive costs of $3.2 million 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; partly offset by
  - lower programming costs as a result of lower primary service units; and
  - lower compensation expenses resulting from an operational optimization program in the first half of fiscal 2019.

MANAGEMENT FEES

For the second quarter and first six months of fiscal 2019, management fees paid to Cogeco Inc. amounted to $4.9 million and $9.7 million, respectively, compared to $5.1 million and $9.8 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				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**174,668**	168,615	3.6	3.8	(343)
American broadband services	**117,145**	91,112	28.6	21.7	6,305
Inter-segment eliminations and other	**(11,261)**	(11,257)	—	—	(4)
	280,552	248,470	12.9	10.5	5,958

(1) For the three-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3313 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2595 USD/CDN.

	Six months ended				
	February 28, 2019 (1)	February 28, 2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**337,807**	342,086	(1.3)	(1.0)	(752)
American broadband services	**234,421**	153,067	53.1	45.9	11,060
Inter-segment eliminations and other	**(23,825)**	(19,679)	21.1	21.0	(11)
	548,403	475,474	15.3	13.2	10,297

(1) For the six-month period ended February 28, 2019, the average foreign exchange rate used for translation was 1.3198 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2574 USD/CDN.

Fiscal 2019 second-quarter adjusted EBITDA increased by 12.9% (10.5% 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.

For the first six months of fiscal 2019, adjusted EBITDA increased by 15.3% (13.2% 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; partly offset by
- a decrease in the Canadian broadband services operations.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 second-quarter acquisitions of property, plant and equipment decreased by 17.4% (20.4% in constant currency) mainly as follows:

- In the American broadband services operations, acquisitions of property, plant and equipment decreased by 34.8% (38.3% 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 1.4% (decrease of 1.1% in constant currency) resulting from:
    - additional investments to improve and expand the network infrastructure; partly offset by
    - lower costs related to the new advanced 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.

For the first six months of fiscal 2019, acquisitions of property, plant and equipment decreased by 1.8% (4.7% in constant currency) mainly as follows:

- In the American broadband services operations, acquisitions of property, plant and equipment decreased by 14.8% (18.7% in constant currency) mainly due to the same elements mentioned above for the second quarter of fiscal 2019.
- In the Canadian broadband services operations, acquisitions of property, plant and equipment increased by 10.2% (8.2% in constant currency) resulting from:
  - additional investments to improve and expand the network infrastructure; and
  - costs related to the new Internet protocol television ("IPTV") platform; partly offset by
  - lower costs related to the new advanced customer management system which was implemented in the third quarter of fiscal 2018.

7.2 CUSTOMER STATISTICS

	February 28, 2019			Net additions (losses) Three months ended		Net additions (losses) Six months ended	
	Consolidated	Canada	United States	February 28, 2019	February 28, 2018 (2)	February 28, 2019	February 28, 2018 (2)
Primary service units(1)	2,703,223	1,825,011	878,212	(8,709)	3,925	(48,160)	2,986
Internet service customers	1,214,566	785,004	429,562	9,964	14,451	7,341	25,801
Video service customers	976,377	668,771	307,606	(12,021)	(6,750)	(29,643)	(14,747)
Telephony service customers	512,280	371,236	141,044	(6,652)	(3,776)	(25,858)	(8,068)

(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 advanced customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the first quarter of fiscal 2019. Contact center and marketing operations 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 second quarter and first six months of fiscal 2019, Internet service customers net additions stood at 9,964 and 7,341, respectively, compared to 14,451 and 25,801 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; and
- the sustained interest in bundle offers; partly offset by
- the seasonal disconnects from the Maine and New Hampshire areas in the United States; and
- competitive offers in the industry.

Fiscal 2018 second-quarter net additions included the activation of a large bulk property in Florida.

Moreover, the variation for first six 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 second quarter and first six months of fiscal 2019, video service customers net losses stood at 12,021 and 29,643, respectively, compared to 6,750 and 14,747 for the same periods of the prior year as a result of:

- highly competitive offers in the industry; and
- a changing video consumption environment;
- the seasonal disconnects from the Maine and New Hampshire areas in the United States; partly offset by
- our customers' ongoing interest in digital advanced video services; and
- bundles with fast Internet offerings

Fiscal 2018 second-quarter net additions included the activation of a large bulk property in Florida.

Moreover, the variation for first six 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 second quarter and first six months of fiscal 2019, telephony service customers net losses amounted to 6,652 and 25,858, respectively, compared to 3,776 and 8,068 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; and
- a decline in the residential sector in the United States.

Moreover, the variation for the first six 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:

	February 28, 2019	August 31, 2018 (1)	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	**60,162**	86,352	(26,190)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**111,349**	118,718	(7,369)	Related to trade and other receivables of the Business ICT services subsidiary which were reclassified as Assets held for sale, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	**37,731**	25,697	12,034	Mostly related to income tax installments made during the first quarter of fiscal 2019 in the Canadian broadband services segment.
Prepaid expenses and other	**30,920**	30,444	476	Non significant.
Derivative financial instruments	**672**	1,330	(658)	Non significant.
Assets held for sale	**716,747**	—	716,747	Related to the agreement to sell the Business ICT services subsidiary announced on February 27, 2019.
	957,581	262,541	695,040	
Current liabilities				
Bank indebtedness	**38,174**	5,949	32,225	Timing of payments made to suppliers.
Trade and other payables	**193,618**	320,306	(126,688)	Timing of payments made to suppliers.
Provisions	**30,523**	26,137	4,386	Non significant.
Income tax liabilities	**14,156**	16,133	(1,977)	Related to the payment of income tax installments during the first quarter of fiscal 2019.
Contract liabilities and other liabilities	**44,162**	59,967	(15,805)	Related to the contract liabilities and other liabilities of the Business ICT services subsidiary which were reclassified as Liabilities held for sale, partly offset by the appreciation of the US dollar against the Canadian dollar.
Balance due on business combinations	**6,477**	—	6,477	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	**22,409**	77,209	(54,800)	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.
Liabilities held for sale	**54,414**	—	54,414	Related to the agreement to sell the Business ICT services subsidiary.
	403,933	505,701	(101,768)	
Working capital surplus (deficiency)	**553,648**	(243,160)	796,808	

(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)	February 28, 2019 $	August 31, 2018 [(1)] $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,006,082**	2,337,751	(331,669)	Related to the property, plant and equipment of the Business ICT services subsidiary which were reclassified as Assets held for sale, partly offset by the FiberLight acquisition in the second quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,945,304**	3,007,306	(62,002)	Related to the intangible assets of the Business ICT services subsidiary which were reclassified as Assets held for sale and the amortization expense, partly offset by the appreciation of the US dollar against the Canadian dollar.
Goodwill	**1,375,977**	1,627,031	(251,054)	Related to the goodwill of the Business ICT services subsidiary which was reclassified as Assets held for sale, partly offset by the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	**16,215**	33,797	(17,582)	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 decreased interest rate.
Non-current liabilities				
Long-term debt	**3,842,740**	3,817,935	24,805	Increased drawing of US$7.8 million under the revolving loan during the first six months of fiscal 2019 combined with the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest[(2)]	**1,775,247**	1,700,783	74,464	Mostly related to the participation of 68.4% in Cogeco Communications' profit for the period attributable to owners of the Corporation.

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

(2) The non-controlling interest represents a participation of approximately 68.4% 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 March 31, 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	14,444,699	117,304

8.4 FINANCING

In the normal course of business, Cogeco has incurred financial obligations, primarily in the form of long-term debt, operating and 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 February 28, 2019, the Corporation had used $10.3 million of its $100 million Term Revolving Facility and an amount of $466.9 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $89.7 million and $333.1 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $197.5 million (US $150 million), of which $2.8 million (US$2.1 million) was used at February 28, 2019 for a remaining availability of $194.7 million (US$147.9 million).

8.5 COGECO COMMUNICATIONS CREDIT RATINGS

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

At February 28, 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 February 28, 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 February 28, 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 $11.2 million based on the outstanding debt at February 28, 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 $14.0 million based on the outstanding debt at February 28, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at February 28, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$706 million	US$992.1 million	Net investments in foreign operations in US dollar
N/A	£—	£22.9 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at February 28, 2019 was $1.3169 ($1.3055 at August 31, 2018) per US dollar and $1.7484 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.7 million.

8.7 FOREIGN CURRENCY

For the three and six-month periods ended February 28, 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				Six months ended			
	February 28, 2019	February 28, 2018	Change	Change	**February 28, 2019**	February 28, 2018	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.3313**	1.2595	0.07	5.7	**1.3198**	1.2574	0.06	5.0
British Pound vs Canadian dollar	**1.7121**	1.7290	(0.02)	(1.0)	**1.7059**	1.6964	0.01	0.6

The following table highlights in Canadian dollars, the impact of a depreciation of $0.06 of the Canadian dollar against the US dollar on Communications segment's operating results for the six-month period ended February 28, 2019:

	Communications segment
Six months ended February 28, 2019	Exchange rate impact
(in thousands of dollars)	**$**
Revenue	**24,157**
Operating expenses	**13,860**
Management fees - Cogeco Inc.	**—**
Adjusted EBITDA	**10,297**
Acquisitions of property, plant and equipment	**5,767**
Free cash flow	**1,146**

9. DISCONTINUED OPERATIONS

On February 27, 2019, Cogeco Communications announced that it had reached an agreement to sell Cogeco Peer 1 Inc., its Business ICT services subsidiary, to affiliates of Digital Colony. The transaction, valued at $720 million, is expected to be completed during the third quarter of fiscal 2019 and is subject to customary closing conditions.

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 the Business ICT services subsidiary as discontinued operations. The assets and liabilities of the Business ICT services subsidiary were reclassified at February 28, 2019 to current assets held for sale and current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected within one year.

The proceeds of disposal are expected to exceed the carrying amount of the discontinued net assets and accordingly no impairment losses have been recognized on the classification of the Business ICT services subsidiary operations as held for sale.

The loss of the discontinued operations is as follows:

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018	Change	**February 28, 2019**	February 28, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**66,155**	69,147	(4.3)	**132,813**	138,137	(3.9)
Operating expenses	**50,228**	49,790	0.9	**99,194**	99,017	0.2
Adjusted EBITDA	**15,927**	19,357	(17.7)	**33,619**	39,120	(14.1)
Depreciation and amortization	**21,823**	23,648	(7.7)	**43,999**	47,723	(7.8)
Financial expense	**81**	286	(71.7)	**(529)**	(451)	17.3
Loss before income taxes	**(5,977)**	(4,577)	30.6	**(9,851)**	(8,152)	20.8
Income taxes	**(608)**	11,502	—	**(860)**	9,812	—
Loss for the period from discontinued operations	**(5,369)**	(16,079)	(66.6)	**(8,991)**	(17,964)	(49.9)

REVENUE

For the second quarter and first six months of fiscal 2019, revenue decreased by 4.3% and 3.9% primarily due to higher churn and continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

For the second quarter and first six months of fiscal 2019, operating expenses increased by 0.9% and 0.2%, respectively, mainly due to:

- costs related to the closure of a data centre;
- higher costs related to service delivery and cloud licensing; and
- higher compensation expenses; partly offset by
- lower marketing costs due to the timing of certain initiatives.

ADJUSTED EBITDA

For the second quarter and first six months of fiscal 2019, adjusted EBITDA decreased by 17.7% and 14.1% as a result of a decline in revenue combined with higher operating expenses.

CASH FLOW

The cash flow from discontinued operations is as follows:

	Three months ended			Six months ended		
	February 28, 2019	February 28, 2018	Change	**February 28, 2019**	February 28, 2018	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Cash flow from operating activities	**10,503**	12,605	(16.7)	**19,163**	18,492	3.6
Cash flow from investing activities	**(7,914)**	(11,401)	(30.6)	**(19,821)**	(22,236)	(10.9)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(15)**	(3)	—	**60**	(39)	—
Net change in cash and cash equivalents from discontinued operations	**2,574**	1,201	—	**(598)**	(3,783)	(84.2)

ASSETS AND LIABILITIES HELD FOR SALE

The following table summarizes the carrying value of the assets and liabilities of the discontinued operations, classified as held for sale, as at February 28, 2019:

(in thousands of dollars)	**$**
Trade and other receivables	**20,745**
Income taxes receivable	**3,158**
Prepaid expenses and other	**7,599**
Property, plant and equipment	**352,483**
Intangible assets	**49,376**
Other assets	**9,863**
Goodwill	**271,821**
Deferred tax assets	**1,702**
Assets held for sale	**716,747**
Trade and other payables	**19,169**
Provisions	**34**
Income tax liabilities	**12**
Contract liabilities and other liabilities	**23,182**
Deferred tax liabilities	**12,017**
Liabilities held for sale	**54,414**

10. FISCAL 2019 REVISED FINANCIAL GUIDELINES

10.1 CONSOLIDATED

Cogeco revised its fiscal 2019 financial guidelines as issued on October 31, 2018 to take into consideration the revised projections in the Communications segment.

The following table outlines fiscal 2019 revised financial guidelines ranges on a consolidated basis:

	Revised projections April 9, 2019		Actual
	Fiscal 2019	(1)	Fiscal 2018
(in millions of dollars, except percentages)	$		$
Financial guidelines			
Revenue	Increase of 5% to 7%		2,262
Adjusted EBITDA	Increase of 7% to 9%		1,035
Acquisitions of property, plant and equipment(3)	$455 to $475		461
Free cash flow(4)	Increase of 33% to 40%		320

(1) Fiscal 2019 financial guidelines are based on fiscal 2018 actual exchange rate of 1.28 USD/CDN.

(2) The impact of integrating MetroCast operating results for a full year, together with the acquisition of a fibre network and corresponding assets from FiberLight, LLC, completed on October 1, 2018, represent approximately 5% of revenue growth and 6% of adjusted EBITDA growth.

(3) The definition of acquisitions of property, plant and equipment excludes purchases of Spectrum licenses.

(4) The assumed current income tax effective rate is approximately 12%.

10.2 COMMUNICATIONS SEGMENT

Cogeco Communications revised its fiscal 2019 financial guidelines as issued on October 31, 2018 giving effect to the announcement of the agreement on February 27, 2019 to sell Cogeco Peer 1 inc., its Business ICT services subsidiary.

The following table outlines fiscal 2019 revised financial guidelines ranges on a consolidated basis:

	Revised projections April 9, 2019		Actual
	Fiscal 2019	(1)	Fiscal 2018
(in millions of dollars, except percentages)	$		$
Financial guidelines			
Revenue(2)	Increase of 6% to 8%		2,147
Adjusted EBITDA(2)	Increase of 8% to 10%		1,007
Acquisitions of property, plant and equipment(3)	$450 to $470		458
Capital intensity	20% to 21%		21.3%
Free cash flow(4)	Increase of 38% to 45%		302

(1) Fiscal 2019 financial guidelines are based on fiscal 2018 actual exchange rate of 1.28 USD/CDN.

(2) The impact of integrating MetroCast operating results for a full year, together with the acquisition of a fibre network and corresponding assets from FiberLight, LLC, completed on October 1, 2018, represent approximately 5% of revenue growth and 6% of adjusted EBITDA growth.

(3) The definition of acquisitions of property, plant and equipment excludes purchases of Spectrum licenses.

(4) The assumed current income tax effective rate is approximately 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 February 28, 2019, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and six-month periods ended February 28, 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 will receive 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 February 28, 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 six-month periods ended February 28, 2018 were 1.2595 USD/CDN and 1.2574 USD/CDN, respectively.	No comparable IFRS measure

14.1 FREE CASH FLOW RECONCILIATION

	Three months ended		Six months ended	
	February 28, 2019	February 28, 2018 (1)	**February 28, 2019**	February 28, 2018 (1)
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**204,665**	202,362	**307,784**	197,941
Amortization of deferred transaction costs and discounts on long-term debt	**2,204**	9,504	**4,357**	11,688
Changes in non-cash operating activities	**16,809**	(32,726)	**112,199**	69,416
Income taxes paid	**21,564**	38,409	**49,035**	136,309
Current income taxes	**(18,003)**	(25,555)	**(31,844)**	(50,081)
Financial expense paid	**42,251**	28,590	**89,193**	70,397
Financial expense	**(47,123)**	(47,972)	**(94,286)**	(78,835)
Acquisition of property, plant and equipment	**(94,138)**	(112,886)	**(195,287)**	(197,488)
Free cash flow	**128,229**	59,726	**241,151**	159,347

(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 the Business ICT services operations as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

14.2 ADJUSTED EBITDA RECONCILIATION

	Three months ended		Six months ended	
	February 28, 2019	February 28, 2018 (1)	**February 28, 2019**	February 28, 2018 (1)
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period from continuing operations	**87,646**	161,914	**170,413**	245,494
Income taxes	**25,206**	(80,009)	**43,778**	(51,346)
Financial expense	**47,123**	47,972	**94,286**	78,835
Depreciation and amortization	**121,065**	107,003	**241,730**	199,397
Integration, restructuring and acquisition costs	**3,823**	15,999	**10,857**	16,391
Adjusted EBITDA	**284,863**	252,879	**561,064**	488,771

(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 the Business ICT services operations as discontinued operations. For further details, please consult the "Accounting policies" and "Discontinued operations" sections.

15. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three months ended	February 28,		November 30,			August 31,		May 31,
(in thousands of dollars, except per share data)	**2019**	2018[(1)(2)]	**2018[(2)]**	2017[(1)(2)]	2018[(1)(2)]	2017	2018[(1)(2)]	2017
	$	$	**$**	$	$	$	$	$
Operations								
Revenue	**608,574**	554,143	**607,361**	516,733	592,277	578,519	598,877	599,654
Adjusted EBITDA	**284,863**	252,879	**276,201**	235,892	268,942	251,404	277,397	264,831
Integration, restructuring and acquisition costs	**3,823**	15,999	**7,034**	392	1,812	3,191	2,260	—
Profit for the period from continuing operations	**87,646**	161,914	**82,767**	83,580	78,340	—	76,116	—
Loss for the period from discontinued operations	**(5,369)**	(16,079)	**(3,622)**	(1,885)	(1,052)	—	(5,365)	—
Profit for the period	**82,277**	145,835	**79,145**	81,695	77,288	71,094	70,751	82,082
Profit for the period attributable to owners of the Corporation	**25,667**	46,618	**26,168**	29,499	25,165	22,312	25,155	30,043
Cash flow from								
Cash flow from operating activities	**204,665**	202,362	**103,119**	(4,421)	268,679	356,814	171,757	243,584
Acquisitions of property, plant and equipment	**94,138**	112,886	**101,149**	84,602	164,472	146,185	98,950	100,742
Free cash flow	**128,229**	59,726	**112,922**	99,621	51,353	51,841	109,447	109,639
Earnings (loss) per share[(2)]								
Basic								
From continuing operations	**1.69**	3.16	**1.69**	1.83	1.56	—	1.64	—
From discontinued operations	**(0.10)**	(0.31)	**(0.08)**	(0.04)	(0.02)	—	(0.10)	—
From continuing and discontinued operations	**1.58**	2.85	**1.61**	1.80	1.54	1.35	1.54	1.81
Diluted								
From continuing operations	**1.67**	3.13	**1.68**	1.82	1.55	—	1.63	—
From discontinued operations	**(0.10)**	(0.31)	**(0.08)**	(0.04)	(0.02)	—	(0.10)	—
From continuing and discontinued operations	**1.57**	2.82	**1.60**	1.78	1.53	1.34	1.52	1.80
Dividends per share	**0.43**	0.39	**0.43**	0.39	0.39	0.34	0.39	0.34

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

(2) Results were restated to reclassify results from the Business ICT services operations 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 April 9, 2019. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

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

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

Cogeco Inc.
Montréal, Québec
April 9, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three and six-month periods ended February 28, 2019

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

		Three months ended February 28,		Six months ended February 28,	
	Notes	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
			(restated, Note 2)		*(restated, Note 2)*
Revenue	*3*	**608,574**	554,143	**1,215,935**	1,070,876
Operating expenses	*7*	**323,711**	301,264	**654,871**	582,105
Integration, restructuring and acquisition costs	*4*	**3,823**	15,999	**10,857**	16,391
Depreciation and amortization	*8*	**121,065**	107,003	**241,730**	199,397
Financial expense	*9*	**47,123**	47,972	**94,286**	78,835
Profit before income taxes		**112,852**	81,905	**214,191**	194,148
Income taxes	*10*	**25,206**	(80,009)	**43,778**	(51,346)
Profit for the period from continuing operations		**87,646**	161,914	**170,413**	245,494
Loss for the period from discontinued operations	6	**(5,369)**	(16,079)	**(8,991)**	(17,964)
Profit for the period		**82,277**	145,835	**161,422**	227,530
Profit for the period attributable to:					
Owners of the Corporation		**25,667**	46,618	**51,835**	76,117
Non-controlling interest		**56,610**	99,217	**109,587**	151,413
		82,277	145,835	**161,422**	227,530
Earnings (loss) per share					
Basic	*11*				
Profit for the period from continuing operations		**1.69**	3.16	**3.37**	4.99
Loss for the period from discontinued operations		**(0.10)**	(0.31)	**(0.18)**	(0.35)
Profit for the period		**1.58**	2.85	**3.19**	4.64
Diluted	*11*				
Profit for the period from continuing operations		**1.67**	3.13	**3.34**	4.95
Loss for the period from discontinued operations		**(0.10)**	(0.31)	**(0.18)**	(0.35)
Profit for the period		**1.57**	2.82	**3.17**	4.61

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

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**82,277**	145,835	**161,422**	227,530
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	**(21,021)**	24,933	**(18,288)**	28,940
Related income taxes	**5,572**	(6,559)	**4,847**	(7,542)
	(15,449)	18,374	**(13,441)**	21,398
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**(16,759)**	11,257	**15,324**	34,633
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**9,289**	(4,658)	**(7,982)**	(21,266)
Related income taxes	**—**	65	**—**	369
	(7,470)	6,664	**7,342**	13,736
	(22,919)	25,038	**(6,099)**	35,134
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability or asset	**(3,584)**	3,191	**(6,174)**	5,506
Related income taxes	**950**	(844)	**1,706**	(1,458)
	(2,634)	2,347	**(4,468)**	4,048
	(25,553)	27,385	**(10,567)**	39,182
Comprehensive income for the period	**56,724**	173,220	**150,855**	266,712
Comprehensive income for the period attributable to:				
Owners of the Corporation	**17,806**	54,118	**45,959**	88,010
Non-controlling interest	**38,918**	119,102	**104,896**	178,702
	56,724	173,220	**150,855**	266,712

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

	Equity attributable to owners of the Corporation					
	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 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	—	—	—	76,117	151,413	227,530
Other comprehensive income for the period	—	—	8,948	2,945	27,289	39,182
Comprehensive income for the period	—	—	8,948	79,062	178,702	266,712
Share-based payment	—	2,554	—	—	2,392	4,946
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(161)	—	—	3,236	3,075
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	—	—	—	—	389,047	389,047
Dividends (Note 13 C))	—	—	—	(12,791)	(31,951)	(44,742)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	24,166	(24,166)	—
Purchase and cancellation of subordinate voting shares	(727)	—	—	(6,600)	—	(7,327)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,575)	—	—	—	—	(5,575)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,065	(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	—	(1,411)	—	(37)	1,448	—
Total contributions by (distributions to) shareholders	(4,237)	(1,073)	—	4,728	330,654	330,072
Balance at February 28, 2018	109,784	6,571	33,523	524,306	1,619,894	2,294,078
Balance at August 31, 2018	**108,838**	**9,147**	**36,335**	**556,588**	**1,700,783**	**2,411,691**
Profit for the period	**—**	**—**	**—**	**51,835**	**109,587**	**161,422**
Other comprehensive loss for the period	**—**	**—**	**(2,859)**	**(3,017)**	**(4,691)**	**(10,567)**
Comprehensive income (loss) for the period	**—**	**—**	**(2,859)**	**48,818**	**104,896**	**150,855**
Share-based payment	**—**	**2,653**	**—**	**—**	**2,370**	**5,023**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(93)**	**—**	**—**	**1,382**	**1,289**
Dividends (Note 13 C))	**—**	**—**	**—**	**(13,957)**	**(35,373)**	**(49,330)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**23**	**(23)**	**—**
Purchase and cancellation of subordinate voting shares	**(494)**	**—**	**—**	**(3,152)**	**—**	**(3,646)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,665**	**(1,963)**	**—**	**(702)**	**—**	**—**
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,108)**	**—**	**(104)**	**1,212**	**—**
Total contributions by (distributions to) shareholders	**2,171**	**(511)**	**—**	**(17,892)**	**(30,432)**	**(46,664)**
Balance at February 28, 2019	**111,009**	**8,636**	**33,476**	**587,514**	**1,775,247**	**2,515,882**

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

(In thousands of Canadian dollars)	*Notes*	February 28, 2019 $	August 31, 2018 $	September 1, 2017 $
			(restated, Note 2)	*(restated, Note 2)*
Assets				
Current				
Cash and cash equivalents		60,162	86,352	212,283
Short-term investments		—	—	54,000
Trade and other receivables		111,349	118,718	112,092
Income taxes receivable		37,731	25,697	4,277
Prepaid expenses and other		30,920	30,444	21,737
Derivative financial instruments		672	1,330	98
Assets held for sale	*6*	716,747	—	—
		957,581	262,541	404,487
Non-current				
Other assets		36,367	42,949	36,235
Property, plant and equipment		2,006,082	2,337,751	1,985,366
Intangible assets		2,945,304	3,007,306	2,016,683
Goodwill		1,375,977	1,627,031	1,042,009
Derivative financial instruments		16,215	33,797	759
Pension plan assets		—	6,858	—
Deferred tax assets		17,112	17,314	24,762
		7,354,638	7,335,547	5,510,301
Liabilities and Shareholders' equity				
Liabilities				
Current				
Bank indebtedness		38,174	5,949	3,801
Trade and other payables		193,618	320,306	337,667
Provisions		30,523	26,137	23,260
Income tax liabilities		14,156	16,133	103,650
Contract liabilities and other liabilities		44,162	59,967	76,964
Balance due on business combinations		6,477	—	118
Derivative financial instruments		—	—	192
Current portion of long-term debt	*12*	22,409	77,209	131,935
Liabilities held for sale	*6*	54,414	—	—
		403,933	505,701	677,587
Non-current				
Long-term debt	*12*	3,842,740	3,817,935	2,479,421
Contract liabilities and other liabilities		14,447	20,125	12,992
Pension plan liabilities and accrued employee benefits		7,035	5,390	7,709
Deferred tax liabilities		570,601	574,705	635,298
		4,838,756	4,923,856	3,813,007
Shareholders' equity				
Equity attributable to owners of the Corporation				
Share capital	*13 B)*	111,009	108,838	114,021
Share-based payment reserve		8,636	9,147	7,644
Accumulated other comprehensive income	*14*	33,476	36,335	24,575
Retained earnings		587,514	556,588	440,516
		740,635	710,908	586,756
Equity attributable to non-controlling interest		1,775,247	1,700,783	1,110,538
		2,515,882	2,411,691	1,697,294
		7,354,638	7,335,547	5,510,301

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

		Three months ended February 28,		Six months ended February 28,	
	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		87,646	161,914	170,413	245,494
Adjustments for:					
Depreciation and amortization	8	121,065	107,003	241,730	199,397
Financial expense	9	47,123	47,972	94,286	78,835
Income taxes	10	25,206	(80,009)	43,778	(51,346)
Share-based payment	13 D)	3,639	(1,027)	6,090	2,359
Loss on disposals and write-offs of property, plant and equipment		270	401	681	767
Defined benefit plans expense, net of contributions		340	381	1,233	(1,443)
		285,289	236,635	558,211	474,063
Changes in non-cash operating activities	15 A)	(16,809)	32,726	(112,199)	(69,416)
Financial expense paid		(42,251)	(28,590)	(89,193)	(70,397)
Income taxes paid		(21,564)	(38,409)	(49,035)	(136,309)
		204,665	202,362	307,784	197,941
Cash flow from investing activities					
Acquisition of property, plant and equipment		(94,138)	(112,886)	(195,287)	(197,488)
Redemption of a short-term investment		—	—	—	20,000
Business combinations, net of cash and cash equivalents acquired	5	—	(1,762,157)	(56,050)	(1,762,157)
Proceeds on disposals of property, plant and equipment		850	486	1,226	1,044
		(93,288)	(1,874,557)	(250,111)	(1,938,601)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		30,135	(26,653)	32,225	902
Net increase (decrease) under the revolving facilities		(124,114)	7,381	4,458	11,883
Issuance of long-term debt, net of discounts and transaction costs		—	2,082,408	—	2,082,408
Repayments of long-term debt		(5,592)	(705,072)	(66,250)	(712,066)
Repayment of balance due on a business combination		(655)	—	(655)	(118)
Increase in deferred transaction costs		(612)	(3,200)	(612)	(3,200)
Purchase and cancellation of subordinate voting shares		—	—	(3,646)	(7,327)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	13 B)	—	—	—	(5,575)
Dividends paid on multiple voting shares	13 C)	(779)	(707)	(1,559)	(1,426)
Dividends paid on subordinate voting shares	13 C)	(6,199)	(5,678)	(12,398)	(11,365)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		745	519	1,289	3,075
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		—	389,047	—	389,047
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		—	—	—	(9,352)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		(17,690)	(15,956)	(35,373)	(31,951)
		(124,761)	1,722,089	(82,521)	1,704,935
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		(568)	423	(744)	1,497
Net change in cash and cash equivalents from continuing operations		(13,952)	50,317	(25,592)	(34,228)
Net change in cash and cash equivalents from discontinued operations	6	2,574	1,201	(598)	(3,783)
Cash and cash equivalents, beginning of the period		71,540	122,754	86,352	212,283
Cash and cash equivalents, end of the period		60,162	174,272	60,162	174,272

NATURE OF OPERATIONS

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

Its Cogeco Communications Inc. ("Cogeco Communications") subsidiary provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. operating in Québec and Ontario, Canada, under the Cogeco Connexion name, and in the United States under the Atlantic Broadband name (in 11 states along the East Coast, from Maine to Florida). Through its Cogeco Peer 1 subsidiary, Cogeco Communications provides business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud services and managed services), by way of its 16 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe. On February 27, 2019, Cogeco Communications announced that it has reached an agreement to sell 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 April 9, 2019.

2. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

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

IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

The changes in accounting policies mentioned above were applied retrospectively and as a result the Corporation changed the comparative figures for the three and six-month periods ended February 28, 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 February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	**$**
Revenue	554,079	64	—	554,143
Operating expenses	302,328	(37)	(1,027)	301,264
Integration, restructuring and acquisition costs	15,999	—	—	15,999
Depreciation and amortization	106,382	(653)	1,274	107,003
Financial expense	47,972	—	—	47,972
Profit before income taxes	81,398	754	(247)	81,905
Income taxes	(78,446)	(1,498)	(65)	(80,009)
Profit for the period from continuing operations	159,844	2,252	(182)	161,914
Loss for the period from discontinued operations	(16,079)	—	—	(16,079)
Profit for the period	143,765	2,252	(182)	145,835
Profit for the period attributable to:				
Owners of the Corporation	45,974	701	(57)	46,618
Non-controlling interest	97,791	1,551	(125)	99,217
	143,765	2,252	(182)	145,835
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	3.12			3.16
Loss for the period from discontinued operations	(0.31)			(0.31)
Profit for the period	2.81			2.85
Diluted				
Profit for the period from continuing operations	3.09			3.13
Loss for the period from discontinued operations	(0.31)			(0.31)
Profit for the period	2.79			2.82

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

Six months ended February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Revenue	1,071,161	(285)	—	1,070,876
Operating expenses	584,161	226	(2,282)	582,105
Integration, restructuring and acquisition costs	16,391	—	—	16,391
Depreciation and amortization	198,046	(1,267)	2,618	199,397
Financial expense	78,835	—	—	78,835
Profit before income taxes	193,728	756	(336)	194,148
Income taxes	(49,779)	(1,478)	(89)	(51,346)
Profit for the period from continuing operations	243,507	2,234	(247)	245,494
Loss for the period from discontinued operations	(17,964)	—	—	(17,964)
Profit for the period	225,543	2,234	(247)	227,530
Profit for the period attributable to:				
Owners of the Corporation	75,499	695	(77)	76,117
Non-controlling interest	150,044	1,539	(170)	151,413
	225,543	2,234	(247)	227,530
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	4.95			4.99
Loss for the period from discontinued operations	(0.35)			(0.35)
Profit for the period	4.60			4.64
Diluted				
Profit for the period from continuing operations	4.91			4.95
Loss for the period from discontinued operations	(0.35)			(0.35)
Profit for the period	4.57			4.61

(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 February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	159,844	2,252	(182)	161,914
Adjustments for:				
Depreciation and amortization	106,382	(653)	1,274	107,003
Financial expense	47,972	—	—	47,972
Income taxes	(78,446)	(1,498)	(65)	(80,009)
Share-based payment	(1,027)	—	—	(1,027)
Loss on disposals and write-offs of property, plant and equipment	401	—	—	401
Defined benefit plans expense, net of contributions	381	—	—	381
	235,507	101	1,027	236,635
Changes in non-cash operating activities	35,525	(2,799)	—	32,726
Financial expense paid	(28,590)	—	—	(28,590)
Income taxes paid	(38,409)	—	—	(38,409)
	204,033	(2,698)	1,027	202,362
Cash flow from investing activities				
Acquisition of property, plant and equipment	(111,097)	1,962	(3,751)	(112,886)
Acquisition of intangible and other assets	(3,460)	736	2,724	—
Business combination, net of cash and cash equivalents acquired	(1,762,157)	—	—	(1,762,157)
Proceeds on disposals of property, plant and equipment	486	—	—	486
	(1,876,228)	2,698	(1,027)	(1,874,557)
Cash flow from financing activities				
Decrease in bank indebtedness	(26,653)	—	—	(26,653)
Net increase under the revolving facilities	7,381	—	—	7,381
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(705,072)	—	—	(705,072)
Increase in deferred transaction costs	(3,200)	—	—	(3,200)
Dividends paid on multiple voting shares	(707)	—	—	(707)
Dividends paid on subordinate voting shares	(5,678)	—	—	(5,678)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	519	—	—	519
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	389,047	—	—	389,047
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	(15,956)	—	—	(15,956)
	1,722,089	—	—	1,722,089
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	423	—	—	423
Net change in cash and cash equivalents from continuing operations	50,317	—	—	50,317
Net change in cash and cash equivalents from discontinued operations	1,201	—	—	1,201
Cash and cash equivalents, beginning of the period	122,754	—	—	122,754
Cash and cash equivalents, end of the period	174,272	—	—	174,272

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

Six months ended February 28, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
	$	$	$	$
Cash flow from operating activities				
Profit for the period from continuing operations	243,507	2,234	(247)	245,494
Adjustments for:				
Depreciation and amortization	198,046	(1,267)	2,618	199,397
Financial expense	78,835	—	—	78,835
Income taxes	(49,779)	(1,478)	(89)	(51,346)
Share-based payment	2,359	—	—	2,359
Loss on disposals and write-offs of property, plant and equipment	767	—	—	767
Defined benefit plans contributions, net of expense	(1,443)	—	—	(1,443)
	472,292	(511)	2,282	474,063
Changes in non-cash operating activities	(66,099)	(3,317)	—	(69,416)
Financial expense paid	(70,397)	—	—	(70,397)
Income taxes paid	(136,309)	—	—	(136,309)
	199,487	(3,828)	2,282	197,941
Cash flow from investing activities				
Acquisition of property, plant and equipment	(191,729)	2,323	(8,082)	(197,488)
Acquisition of intangible and other assets	(7,305)	1,505	5,800	—
Redemption of a short-term investment	20,000	—	—	20,000
Business combination, net of cash and cash equivalents acquired	(1,762,157)	—	—	(1,762,157)
Proceeds on disposals of property, plant and equipment	1,044	—	—	1,044
	(1,940,147)	3,828	(2,282)	(1,938,601)
Cash flow from financing activities				
Increase in bank indebtedness	902	—	—	902
Net increase under the revolving facilities	11,883	—	—	11,883
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(712,066)	—	—	(712,066)
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	(7,327)	—	—	(7,327)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,575)	—	—	(5,575)
Dividends paid on multiple voting shares	(1,426)	—	—	(1,426)
Dividends paid on subordinate voting shares	(11,365)	—	—	(11,365)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	3,075	—	—	3,075
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	389,047	—	—	389,047
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	(31,951)	—	—	(31,951)
	1,704,935	—	—	1,704,935
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	1,497	—	—	1,497
Net change in cash and cash equivalents from continuing operations	(34,228)	—	—	(34,228)
Net change in cash and cash equivalents from discontinued operations	(3,783)	—	—	(3,783)
Cash and cash equivalents, beginning of the period	212,283	—	—	212,283
Cash and cash equivalents, end of the period	174,272	—	—	174,272

(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

						Three months ended February 28,
		Communications		**Other**		**Consolidated**
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Revenue						
Residential (1)	**513,973**	469,537	**—**	—	**513,973**	469,537
Commercial (2)	**62,599**	53,796	**—**	—	**62,599**	53,796
Other (3)	**7,557**	6,522	**24,445**	24,288	**32,002**	30,810
	584,129	529,855	**24,445**	24,288	**608,574**	554,143

(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.

						Six months ended February 28,
		Communications		**Other**		**Consolidated**
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Revenue						
Residential (1)	**1,021,622**	898,347	**—**	—	**1,021,622**	898,347
Commercial (2)	**124,150**	103,156	**—**	—	**124,150**	103,156
Other (3)	**15,030**	12,638	**55,133**	56,735	**70,163**	69,373
	1,160,802	1,014,141	**55,133**	56,735	**1,215,935**	1,070,876

(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 agreed to amounts between the parties.

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

	Three months ended February 28,					
	Communications		Other		Consolidated	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
		(restated, Note 2)				*(restated, Note 2)*
Revenue (1)	**584,129**	529,855	**24,445**	24,288	**608,574**	554,143
Operating expenses	**298,676**	276,275	**25,035**	24,989	**323,711**	301,264
Management fees – Cogeco Inc.	**4,901**	5,110	**(4,901)**	(5,110)	**—**	—
Segment profit	**280,552**	248,470	**4,311**	4,409	**284,863**	252,879
Integration, restructuring and acquisition costs (2)	**3,722**	15,999	**101**	—	**3,823**	15,999
Depreciation and amortization	**120,291**	106,159	**774**	844	**121,065**	107,003
Financial expense	**46,413**	47,267	**710**	705	**47,123**	47,972
Profit before income taxes	**110,126**	79,045	**2,726**	2,860	**112,852**	81,905
Income taxes	**23,998**	(80,867)	**1,208**	858	**25,206**	(80,009)
Profit for the period from continuing operations	**86,128**	159,912	**1,518**	2,002	**87,646**	161,914
Acquisition of property, plant and equipment	**92,773**	112,378	**1,365**	508	**94,138**	112,886

(1) For the three-month period ended February 28, 2019, revenue by geographic market includes $351,204 in Canada ($348,423 in 2018) and $257,370 in the United States ($205,720 in 2018).

(2) For the three-month period ended February 28, 2019, comprised of integration, restructuring and acquisition costs in the Communications segment and acquisition costs in the Other segment. For the three-month period ended February 28, 2018, comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

	Six months ended February 28,					
	Communications		Other		Consolidated	
	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$
		(restated, Note 2)				*(restated, Note 2)*
Revenue (1)	**1,160,802**	1,014,141	**55,133**	56,735	**1,215,935**	1,070,876
Operating expenses	**602,703**	528,829	**52,168**	53,276	**654,871**	582,105
Management fees – Cogeco Inc.	**9,696**	9,838	**(9,696)**	(9,838)	**—**	—
Segment profit	**548,403**	475,474	**12,661**	13,297	**561,064**	488,771
Integration, restructuring and acquisition costs (2)	**9,435**	16,391	**1,422**	—	**10,857**	16,391
Depreciation and amortization	**240,028**	197,766	**1,702**	1,631	**241,730**	199,397
Financial expense	**92,972**	77,486	**1,314**	1,349	**94,286**	78,835
Profit before income taxes	**205,968**	183,831	**8,223**	10,317	**214,191**	194,148
Income taxes	**41,034**	(54,352)	**2,744**	3,006	**43,778**	(51,346)
Profit for the period from continuing operations	**164,934**	238,183	**5,479**	7,311	**170,413**	245,494
Total assets (3)	**7,185,140**	7,180,043	**169,498**	155,504	**7,354,638**	7,335,547
Property, plant and equipment (3)	**1,990,418**	2,323,678	**15,664**	14,073	**2,006,082**	2,337,751
Intangible assets (3)	**2,858,032**	2,927,388	**87,272**	79,918	**2,945,304**	3,007,306
Goodwill (3)	**1,349,082**	1,608,446	**26,895**	18,585	**1,375,977**	1,627,031
Acquisition of property, plant and equipment	**193,330**	196,829	**1,957**	659	**195,287**	197,488

(1) For the six-month period ended February 28, 2019, revenue by geographic market includes $704,357 in Canada ($707,756 in 2018) and $511,578 in the United States ($363,120 in 2018).

(2) For the six-month period ended February 28, 2019, comprised of integration, restructuring and acquisition costs in the Communications segment and acquisition costs in the Other segment. For the six-month period ended February 28, 2018, comprised of acquisition and integration costs related to the MetroCast acquisition completed on January 4, 2018.

(3) At February 28, 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 February 28, 2019 and August 31, 2018:

			At February 28, 2019
	Canada	United States	Total
	$	$	$
Property, plant and equipment	1,139,118	866,964	2,006,082
Intangible assets	1,085,509	1,859,795	2,945,304
Goodwill	31,557	1,344,420	1,375,977

				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:

	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

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

6. DISCONTINUED OPERATIONS

On February 27, 2019, Cogeco Communications announced that it had reached an agreement to sell Cogeco Peer 1, its Business information and communications technology ("Business ICT") services subsidiary. The transaction is valued at $720 million and is subject to certain closing adjustments. The completion of the transaction is expected to occur during the third fiscal quarter of 2019 and is subject to customary closing conditions.

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 assets and liabilities of Cogeco Peer 1 were reclassified in the interim consolidated statement of financial position at February 28, 2019 to current assets held for sale and current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected within one year.

The proceeds of disposal are expected to exceed the carrying amount of the discontinued net assets and accordingly no impairment losses have been recognized on the classification of Cogeco Peer 1's assets and liabilities as held for sale.

The loss of the discontinued operations is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Revenue	**66,155**	69,147	**132,813**	138,137
Operating expenses	**50,228**	49,790	**99,194**	99,017
Depreciation and amortization	**21,823**	23,648	**43,999**	47,723
Financial expense	**81**	286	**(529)**	(451)
Loss before income taxes	**(5,977)**	(4,577)	**(9,851)**	(8,152)
Income taxes	**(608)**	11,502	**(860)**	9,812
Loss for the period from discontinued operations	**(5,369)**	(16,079)	**(8,991)**	(17,964)

The cash flows of the discontinued operations are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Cash flow from operating activities	**10,503**	12,605	**19,163**	18,492
Cash flow from investing activities	**(7,914)**	(11,401)	**(19,821)**	(22,236)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(15)**	(3)	**60**	(39)
Net change in cash and cash equivalents from discontinued operations	**2,574**	1,201	**(598)**	(3,783)

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

The following table summarizes the carrying value of the assets and liabilities of the discontinued operations, classified as held for sale, as at February 28, 2019:

	$
Trade and other receivables	20,745
Income taxes receivable	3,158
Prepaid expenses and other	7,599
Property, plant and equipment	352,483
Intangible assets	49,376
Other assets	9,863
Goodwill	271,821
Deferred tax assets	1,702
Assets held for sale	**716,747**
Trade and other payables	19,169
Provisions	34
Income tax liabilities	12
Contract liabilities and other liabilities	23,182
Deferred tax liabilities	12,017
Liabilities held for sale	**54,414**

7. OPERATING EXPENSES

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Salaries, employee benefits and outsourced services	**105,153**	96,117	**209,765**	185,974
Service delivery costs (1)	**169,885**	154,095	**339,617**	295,424
Customer related costs (2)	**20,273**	17,954	**43,774**	38,088
Other external purchases (3)	**28,400**	33,098	**61,715**	62,619
	323,711	301,264	**654,871**	582,105

(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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Depreciation of property, plant and equipment	**106,874**	95,298	**213,575**	181,264
Amortization of intangible assets	**14,191**	11,705	**28,155**	18,133
	121,065	107,003	**241,730**	199,397

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

9. FINANCIAL EXPENSE

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Interest on long-term debt (1)	**46,852**	48,217	**92,834**	78,875
Net foreign exchange gains	**(517)**	(620)	**(308)**	(781)
Amortization of deferred transaction costs	**486**	405	**942**	1,036
Capitalized borrowing costs (2)	**(178)**	(708)	**(298)**	(1,574)
Other	**480**	678	**1,116**	1,279
	47,123	47,972	**94,286**	78,835

(1) 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 six-month periods ended February 28, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

10. INCOME TAXES

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Current	**18,003**	25,555	**31,844**	50,081
Deferred	**7,203**	(105,564)	**11,934**	(101,427)
	25,206	(80,009)	**43,778**	(51,346)

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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Profit before income taxes	**112,852**	81,905	**214,191**	194,148
Combined Canadian income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**29,906**	21,705	**56,761**	51,449
Adjustment for losses or profit subject to lower or higher tax rates	**205**	(2,910)	**1,022**	(835)
Impact on deferred taxes as a result of changes in substantively enacted tax rates (1)	**295**	(94,052)	**295**	(94,166)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**1,191**	15	**1,172**	(2)
Tax impacts related to foreign operations	**(7,100)**	(5,038)	**(13,861)**	(8,744)
Other	**709**	271	**(1,611)**	952
Income taxes at effective income tax rate	**25,206**	(80,009)	**43,778**	(51,346)

(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 February 28,		Six months ended February 28,	
	2019	2018	2019	2018
	$	$	$	$
		(restated, Note 2)		*(restated, Note 2)*
Profit for the period from continuing operations attributable to owners of the Corporation	27,366	51,710	54,680	81,806
Loss for the period from discontinued operations attributable to owners of the Corporation	(1,699)	(5,092)	(2,845)	(5,689)
Profit for the period attributable to owners of the Corporation	25,667	46,618	51,835	76,117
Weighted average number of multiple and subordinate voting shares outstanding	16,230,058	16,369,823	16,230,043	16,400,378
Effect of dilutive incentive share units	64,063	61,575	62,741	57,407
Effect of dilutive performance share units	72,520	71,465	72,445	69,138
Weighted average number of diluted multiple and subordinate voting shares outstanding	16,366,641	16,502,863	16,365,229	16,526,923
Earnings (loss) per share				
Basic				
Profit for the period from continuing operations	1.69	3.16	3.37	4.99
Loss for the period from discontinued operations	(0.10)	(0.31)	(0.18)	(0.35)
Profit for the period	1.58	2.85	3.19	4.64
Diluted				
Profit for the period from continuing operations	1.67	3.13	3.34	4.95
Loss for the period from discontinued operations	(0.10)	(0.31)	(0.18)	(0.35)
Profit for the period	1.57	2.82	3.17	4.61

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

12. LONG-TERM DEBT

	Maturity	Interest rate		February 28, 2019	August 31, 2018
		%		$	$
Corporation					
Term Revolving Facility [1]					
Revolving loan		—		—	1,995
Revolving loan - US$7.8 million [2]	February 2024	3.49	[6]	10,272	—
Unsecured Debentures	November 2021	6.50		34,881	34,860
Finance lease	February 2022	4.27		70	81
Subsidiaries					
Term Revolving Facility [3]					
Canadian Revolving Facility					
Revolving loan – US$328 million (US$310 million at August 31, 2018) [4]	January 2024	3.94	[6]	431,943	404,705
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		32,833	32,540
Series B - US$150 million	September 2026	4.29		196,921	195,176
Senior Secured Notes Series B [5]		—		—	54,994
Senior Secured Notes - US$215 million	June 2025	4.30		282,224	279,711
Senior Secured Debentures Series 2	November 2020	5.15		199,644	199,544
Senior Secured Debentures Series 3	February 2022	4.93		199,356	199,255
Senior Secured Debentures Series 4	May 2023	4.18		298,538	298,381
First Lien Credit Facilities					
Senior Secured Term Loan B Facility - US$1,687.3 million (US$1,695.8 million at August 31, 2018)	January 2025	4.87	[6] [7]	2,178,467	2,167,792
Senior Secured Revolving Facility - US$20 million at August 31, 2018		—		—	26,110
				3,865,149	3,895,144
Less current portion				22,409	77,209
				3,842,740	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$7.8 million drawn under the Corporation's Revolving loan facility was hedged until March 29, 2018, using a cross-currency swap agreement which sets the amount redeemable at maturity at $10.3 million and the effective interest rate on the Canadian dollar equivalent at 2.75%.

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

(4) An amount of US$12 million drawn under Cogeco Communication's Revolving loan facility has been hedged until March 29, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $15.8 million and the effective interest rate on the Canadian dollar equivalent at 3.21%.

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

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

(7) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.57%.

(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

	February 28, 2019	August 31, 2018
	$	$
1,812,860 multiple voting shares	12	12
14,513,645 subordinate voting shares (14,574,435 at August 31, 2018)	117,864	118,358
	117,876	118,370
45,449 subordinate voting shares held in trust under the Incentive Share Unit Plan (61,375 at August 31, 2018)	(3,138)	(4,237)
50,960 subordinate voting shares held in trust under the Performance Share Unit Plan (72,359 at August 31, 2018)	(3,729)	(5,295)
	111,009	108,838

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

	Number of shares	Amount
		$
Balance at August 31, 2018	14,574,435	118,358
Purchase and cancellation of subordinate voting shares [1]	(60,790)	(494)
Balance at February 28, 2019	14,513,645	117,864

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

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

	Number of shares	Amount
		$
Balance at August 31, 2018	61,375	4,237
Subordinate voting shares distributed to employees	(15,926)	(1,099)
Balance at February 28, 2019	45,449	3,138

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

	Number of shares	Amount
		$
Balance at August 31, 2018	72,359	5,295
Subordinate voting shares distributed to employees	(21,399)	(1,566)
Balance at February 28, 2019	50,960	3,729

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

C) DIVIDENDS

For the six-month period ended February 28, 2019, quarterly eligible dividends of $0.43 per share, for a total of $0.86 per share or $14 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 $0.78 per share or $12.8 million for the six-month period ended February 28, 2018.

For the six-month period ended February 28, 2019, quarterly eligible dividends of $0.525 per share, for a total of $1.05 per share or $35.4 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 $0.95 per share or $32 million for the six-month period ended February 28, 2018.

	Six months ended February 28,	
	2019	2018
	$	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	**1,559**	1,426
Dividends on subordinate voting shares	**12,398**	11,365
	13,957	12,791
Attributable to non-controlling interest		
Dividends on subordinate voting shares	**35,373**	31,951

At its April 9, 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 May 7, 2019 to shareholders of record on April 23, 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 six-month period ended February 28, 2019, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at February 28, 2019 and August 31, 2018.

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at February 28, 2019:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2018	**819,393**	**65.27**
Granted (1)	**199,450**	**65.23**
Exercised (2)	**(29,591)**	**43.57**
Cancelled	**(13,415)**	**71.61**
Outstanding at February 28, 2019	**975,837**	**65.83**
Exercisable at February 28, 2019	**403,412**	**57.41**

(1) During the six-month period ended February 28, 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 $66.48.

A compensation expense of $375,000 and $932,000 ($322,000 and $751,000 in 2018) was recorded for the three and six-month periods ended February 28, 2019 related to this plan.

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

The weighted average fair value of stock options granted by Cogeco Communications for the six-month period ended February 28, 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 February 28, 2019:

Outstanding at August 31, 2018	61,700
Granted	18,800
Distributed	(15,926)
Cancelled	(549)
Outstanding at February 28, 2019	64,025

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	105,475
Granted	37,300
Distributed	(27,129)
Cancelled	(7,621)
Outstanding at February 28, 2019	108,025

A compensation expense of $921,000 and $1,823,000 ($996,000 and $1,756,000 in 2018) was recorded for the three and six-month periods ended February 28, 2019 related to these plans.

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	72,946
Granted	19,475
Performance-based additional units granted	3,045
Distributed	(21,399)
Cancelled	(2,224)
Dividend equivalents	984
Outstanding at February 28, 2019	72,827

(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 February 28, 2019:

Outstanding at August 31, 2018	133,181
Granted [(1)]	45,175
Performance-based additional units granted	200
Distributed	(26,231)
Cancelled	(5,629)
Dividend equivalents	2,297
Outstanding at February 28, 2019	**148,993**

(1) During the six-month period ended February 28, 2019, Cogeco Communications granted 14,625 PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $1,185,000 and $2,268,000 ($1,214,000 and $2,439,000 in 2018) was recorded for the three and six-month periods ended February 28, 2019 related to these plans.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	41,806
Issued	4,216
Dividend equivalents	594
Outstanding at February 28, 2019	**46,616**

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at February 28, 2019:

Outstanding at August 31, 2018	42,607
Issued	11,328
Dividend equivalents	729
Outstanding at February 28, 2019	**54,664**

A compensation expense of $1,158,000 and $1,067,000 (compensation expense reduction of $970,000 and a compensation expense of $2,000 in 2018) was recorded for the three and six-month periods ended February 28, 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	6,776	2,172	8,948
Balance at February 28, 2018	6,906	26,617	33,523
Balance at August 31, 2018	8,166	28,169	36,335
Other comprehensive income	(4,251)	1,392	(2,859)
Balance at February 28, 2019	**3,915**	**29,561**	**33,476**

(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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
		(restated, Note 2)		*(restated, Note 2)*
Trade and other receivables	**(3,184)**	3,191	**(7,600)**	916
Prepaid expenses and other	**4,079**	689	**(8,383)**	(11,076)
Other assets	**(1,392)**	(2,396)	**(3,753)**	(2,930)
Trade and other payables	**(18,618)**	26,010	**(98,918)**	(64,701)
Provisions	**3,619**	481	**4,195**	591
Contract liabilities and other liabilities	**(1,313)**	4,751	**2,260**	7,784
	(16,809)	32,726	**(112,199)**	(69,416)

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	902	—	—	902
Net increase under the revolving facilities	—	—	11,883	11,883
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(712,066)	(712,066)
Repayment of balance due on a business combination	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	902	(118)	1,382,225	1,383,009
Effect of changes in foreign exchange rates	—	—	68,734	68,734
Amortization of discounts and transaction costs	—	—	10,670	10,670
Total non-cash changes	—	—	79,404	79,404
Balance at February 28, 2018	4,703	—	4,072,985	4,077,688
Balance at August 31, 2018	5,949	—	3,895,144	3,901,093
Increase in bank indebtedness	**32,225**	**—**	**—**	**32,225**
Net increase under the revolving facilities	**—**	**—**	**4,458**	**4,458**
Repayment of long-term debt	**—**	**—**	**(66,250)**	**(66,250)**
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	**32,225**	**6,350**	**(61,792)**	**(23,217)**
Effect of changes in foreign exchange rates	**—**	**127**	**28,361**	**28,488**
Amortization of discounts and transaction costs	**—**	**—**	**3,436**	**3,436**
Total non-cash changes	**—**	**127**	**31,797**	**31,924**
Balance at February 28, 2019	**38,174**	**6,477**	**3,865,149**	**3,909,800**

(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 February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**781**	672	**1,562**	1,395
Administrative expense	**119**	93	**238**	186
Recognized in financial expense (other)				
Net interest	**(41)**	4	**(83)**	18
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,240**	2,075	**4,886**	4,557
	3,099	2,844	**6,603**	6,156

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 February 28, 2019, the Corporation had used $10.3 million of its $100 million Term Revolving Facility and an amount of $466.9 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $89.7 million and $333.1 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $197.5 million (US$150 million), of which $2.8 million (US$2.1 million) was used at February 28, 2019 for a remaining availability of $194.7 million (US$147.9 million).

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At February 28, 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 February 28, 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 $11.2 million based on the outstanding debt at February 28, 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 $14 million based on the outstanding debt at February 28, 2019.

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

The following table shows the aggregate investments in foreign operations attributable to owners of Cogeco Communications and the notional amount of debt borrowed to hedge these investments at February 28, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$706 million	US$992.1 million	Net investments in foreign operations in US dollar
N/A	£—	£22.9 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at February 28, 2019 was $1.3169 ($1.3055 at August 31, 2018) per US dollar and $1.7484 ($1.6931 at August 31, 2018) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $41.7 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:

	February 28, 2019		August 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	3,865,149	3,940,749	3,895,144	3,980,600

C) CAPITAL MANAGEMENT

At February 28, 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 as well as assets and liabilities held for sale:

	February 28, 2019	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	3.3	3.4
Net indebtedness (3) / adjusted EBITDA (2)	3.3	3.5
Adjusted EBITDA (2) / financial expense (2)	5.9	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 February 28, 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 as well as assets and liabilities held for sale:

	February 28, 2019	August 31, 2018
		(restated, Note 2)
Net secured indebtedness (1) / adjusted EBITDA (2)	3.3	3.5
Net indebtedness (3) / adjusted EBITDA (2)	3.3	3.5
Adjusted EBITDA (2) / financial expense (2)	5.8	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 February 28, 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"). Management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to January 4, 2018). In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. For the three and six-month periods ended February 28, 2019, management fees paid to Cogeco amounted to $4.9 million and $9.7 million, respectively, compared to $5.1 million and $9.8 million for the same periods of fiscal 2018.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the six-month period ended February 28, 2019, Cogeco Communications granted 97,725 (124,625 in 2018) stock options, did not grant any ISUs (nil in 2018) and granted 14,625 (18,750 in 2018) PSUs to these executive officers as executive officers of Cogeco Communications.

During the three and six-month periods ended February 28, 2019, Cogeco Communications charged Cogeco $195,000 and $493,000 ($201,000 and $395,000 in 2018), $15,000 and $30,000 ($0 and $1,000 in 2018) and $302,000 and $502,000 ($248,000 and $482,000 in 2018), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

For the three and six-month periods ended February 28, 2019, Cogeco Communications charged Cogeco $64,000 and $324,000 for DSUs issued to Board directors of Cogeco.

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

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018	February 28, 2018
CONSOLIDATED					
Primary service units	**2,703,223**	**2,711,932**	2,751,383	2,782,705	2,788,268
Internet service customers	**1,214,566**	**1,204,602**	1,207,225	1,207,262	1,199,201
Video service customers	**976,377**	**988,398**	1,006,020	1,019,852	1,029,901
Telephony service customers	**512,280**	**518,932**	538,138	555,591	559,166
CANADA					
Primary service units	**1,825,011**	**1,831,628**	1,866,918	1,901,037	1,914,178
Internet service customers	**785,004**	**778,996**	782,277	787,007	786,314
Penetration as a percentage of homes passed	**44.7%**	**44.4%**	44.7%	45.0%	45.1%
Video service customers	**668,771**	**675,699**	688,768	699,554	708,584
Penetration as a percentage of homes passed	**38.1%**	**38.5%**	39.3%	40.0%	40.7%
Telephony service customers	**371,236**	**376,933**	395,873	414,476	419,280
Penetration as a percentage of homes passed	**21.1%**	**21.5%**	22.6%	23.7%	24.1%
UNITED STATES					
Primary service units	**878,212**	**880,304**	884,465	881,668	874,090
Internet service customers	**429,562**	**425,606**	424,948	420,255	412,887
Penetration as a percentage of homes passed(1)	**49.6%**	**49.2%**	49.7%	49.8%	48.3%
Video service customers	**307,606**	**312,699**	317,252	320,298	321,317
Penetration as a percentage of homes passed(1)	**35.5%**	**36.2%**	37.1%	37.9%	37.6%
Telephony service customers	**141,044**	**141,999**	142,265	141,115	139,886
Penetration as a percentage of homes passed(1)	**16.3%**	**16.4%**	16.6%	16.7%	16.4%

(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.