SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2018

FINANCIAL HIGHLIGHTS

(in thousands of dollars, except percentages, per share data and number of shares)	Three-months ended May 31, 2018 $	May 31, 2017 $	Change %	Change in constant currency (1) %	Foreign exchange impact (2) $	Nine-months ended May 31, 2018 $	May 31, 2017 $	Change %	Change in constant currency (1) %	Foreign exchange impact (2) $
Operations										
Revenue	**668,927**	599,654	11.6	13.7	(12,802)	**1,878,225**	1,769,159	6.2	8.1	(34,602)
Adjusted EBITDA[(1)]	**296,769**	264,831	12.1	14.1	(5,474)	**825,631**	784,141	5.3	7.0	(13,552)
Integration, restructuring and acquisition costs[(3)]	**2,260**	—	—			**18,651**	—	—		
Profit for the period	**70,129**	82,082	(14.6)			**295,672**	242,273	22.0		
Profit for the period attributable to owners of the Corporation	**24,976**	30,043	(16.9)			**100,475**	86,673	15.9		
Cash Flow										
Cash flow from operating activities	**191,884**	243,584	(21.2)			**412,369**	620,267	(33.5)		
Acquisitions of property, plant and equipment, intangible and other assets[(4)]	**112,250**	100,742	11.4	14.8	(3,423)	**336,331**	285,122	18.0	21.9	(11,288)
Free cash flow[(1)]	**115,502**	109,639	5.3	5.2	183	**289,462**	338,433	(14.5)	(15.5)	3,367
Financial condition[(5)]										
Cash and cash equivalents						**63,559**	212,283	(70.1)		
Short-term investments						**—**	54,000	(100.0)		
Total assets						**7,202,277**	5,499,376	31.0		
Indebtedness[(6)]						**3,959,874**	2,633,159	50.4		
Equity attributable to owners of the Corporation						**686,119**	578,556	18.6		
Per Share Data[(7)]										
Earnings per share										
Basic	**1.53**	1.81	(15.5)			**6.13**	5.21	17.7		
Diluted	**1.51**	1.80	(16.1)			**6.08**	5.17	17.6		
Dividends	**0.39**	0.34	14.7			**1.17**	1.02	14.7		
Weighted average number of multiple and subordinate voting shares outstanding	**16,368,545**	16,566,422	(1.2)			**16,389,650**	16,648,843	(1.6)		

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

(2) Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current periods denominated in US dollars and GBP currency at the foreign exchange rates of the comparable periods of the prior year. For the three and the nine-months periods ending May 31, 2017, the average foreign exchange rates used for translation were 1.3479 USD/CDN and 1.7036 GBP/CDN and 1.3318 USD/CDN and 1.6744 GBP/CDN, respectively.

(3) For the three and nine-month periods ended May 31, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

(4) For the three and nine-month periods ended May 31, 2018, acquisitions of property, plant and equipment, intangible and other assets in constant currency amounted to $115.7 million and $347.6 million, respectively.

(5) At May 31, 2018 and August 31, 2017.

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

(7) Per multiple and subordinate voting shares.

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

Three and nine-month periods ended May 31, 2018

1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" section of the Corporation's 2017 annual MD&A and the "Fiscal 2018 revised financial guidelines" section of the first quarter of fiscal 2018 MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, ownership risks, human-caused and natural threats to our network, infrastructure and systems and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2017 annual MD&A and the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco's expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three and nine-month periods ended May 31, 2018 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2017 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

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

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

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

COMMUNICATIONS SEGMENT

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

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

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

MEDIA ACTIVITIES

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 nine-month period ended May 31, 2018, revenue increased by $109.1 million, or 6.2%, to reach $1.88 billion, compared to $1.77 billion for the same period of fiscal 2017 driven by growth of 6.8% in the Communications segment, partly offset by a decrease of 5.9% in the Other segment. In constant currency, revenue increased by 8.1% driven by growth of 8.9% in the Communications segment, partly offset by a decrease of 5.9% in the Other segment resulting mainly from a soft advertising market in the media activities. The increase in the Communications segment is mainly due to the acquisition on January 4, 2018 of substantially all the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast").

ADJUSTED EBITDA

For the nine-month period ended May 31, 2018, adjusted EBITDA increased by $41.5 million, or 5.3%, to reach $825.6 million compared to $784.1 million for the same period of fiscal 2017. On a constant currency basis, adjusted EBITDA increased by 7.0% mostly due to the improvement in the Communications segment as a result of the MetroCast acquisition.

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

FREE CASH FLOW

For the nine-month period ended May 31, 2018, free cash flow amounted to $289.5 million, a decrease of $49.0 million, or 14.5%, compared to $338.4 million for the same period of the prior year. On a constant currency basis, free cash flow decreased by 15.5% as a result of the increase in acquisitions of property, plant and equipment, intangible and other assets combined with $18.7 million primarily in acquisition costs as well as additional financial expense mostly related to the MetroCast acquisition. The decrease was partly offset by the improvement of adjusted EBITDA and the decrease in current income taxes expense.

3. BUSINESS DEVELOPMENTS AND OTHER

In June 2018, Cogeco Communications announced that its subsidiary, Cogeco Connexion, acquired 10 Spectrum licenses of 2500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for $8 million. The transfer was approved by Innovation, Science & Economic Development ("ISED") Canada on June 21, 2018. In May 2018, Cogeco Connexion, was also the successful bidder on 23 Spectrum licenses of 2500 MHz and 2300 MHz, primarily in its Ontario and Québec wireline footprints, in the auction for residual Spectrum licenses organized by ISED Canada for a total price of $24.3 million. Both transactions were completed in June 2018 and the cost of these Spectrum licenses will be recorded in the fourth quarter of fiscal 2018 and will not be included in the non-IFRS definition of free cash flow and capital intensity.

The purchase of these licenses provides an option to offer wireless services to complement our current service offering to customers within our traditional footprint and grow our share of our customers' telecommunications spending. Our objective is to offer wireless services on the basis that it be a profitable business, investing prudently within our strategic priorities and financial means. We believe that the model most likely to be achievable while satisfying our profitability requirements will be a hybrid model consisting of segments relying on the mobile virtual network operator model, as well as some segments where Cogeco Communications would be a facilities-based operator.

In April 2018, Cogeco Media announced the conclusion of an agreement to acquire 10 regional radio stations (9 located in Québec and 1 in Ontario) owned by RNC Média inc. The transaction, valued at $18.5 million, is subject to customary closing adjustments, regulatory approvals and usual closing conditions.

Numeris' spring 2018 survey in the Montréal region, conducted with the Portable People Meter ("PPM"), reported that in the Montréal French market *98.5 FM*, *Rythme FM* and *CKOI* maintained their leadership positions while *The Beat* remained the leading music radio station in the Montréal English market. In addition, most of our other regional radio stations in Québec registered good ratings.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Three-months ended				
	May 31, 2018 (1)	May 31, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**668,927**	599,654	11.6	13.7	(12,802)
Operating expenses	**372,158**	334,823	11.2	13.3	(7,328)
Adjusted EBITDA	**296,769**	264,831	12.1	14.1	(5,474)

(1) For the three-month period ended May 31, 2018, the average foreign exchange rates used for translation were 1.2846 USD/CDN and 1.7776 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3479 USD/CDN and 1.7036 GBP/CDN.

	Nine-months ended				
	May 31, 2018 (1)	May 31, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**1,878,225**	1,769,159	6.2	8.1	(34,602)
Operating expenses	**1,052,594**	985,018	6.9	9.0	(21,050)
Adjusted EBITDA	**825,631**	784,141	5.3	7.0	(13,552)

(1) For the nine-month period ended May 31, 2018, the average foreign exchange rates used for translation were 1.2664 USD/CDN and 1.7234 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3318 USD/CDN and 1.6744 GBP/CDN.

REVENUE

Fiscal 2018 third-quarter revenue amounted to $668.9 million, an increase of $69.3 million, or 11.6%, compared to the same period of the prior year driven by growth of 12.7% in the Communications segment, partly offset by a decrease of 7.8% in the Other segment. In constant currency, revenue increased by 13.7% driven by growth of 15.0% in the Communications segment as result of the MetroCast acquisition, partly offset by a decrease of 7.8% in the Other segment resulting mainly from a soft advertising market in the media activities.

For the first nine months of fiscal 2018, revenue amounted to $1.88 billion, an increase of $109.1 million, or 6.2%, compared to the same period of the prior year driven by growth of 6.8% in the Communications segment, partly offset by a decrease of 5.9% in the Other segment. In constant currency, revenue increased by 8.1% driven by growth of 8.9% in the Communications segment as a result of the MetroCast acquisition, partly offset by a decrease of 5.9% in the Other segment resulting 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 three and nine-month periods ended May 31, 2018, operating expenses amounted to $372.2 million and $1.05 billion, respectively, representing increases of $37.3 million and $67.6 million, or 11.2% and 6.9% (13.3% and 9.0% 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 three and nine-month periods ended May 31, 2018, adjusted EBITDA increased by $31.9 million and $41.5 million, or 12.1% and 5.3%, to reach $296.8 million and $825.6 million, respectively. In constant currency, adjusted EBITDA increased by 14.1% and 7.0% mostly attributable to the improvement in the Communications segment as a result of the MetroCast acquisition.

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

4.2 FIXED CHARGES

	Three-months ended			Nine-months ended		
	May 31, 2018	May 31, 2017	Change	May 31, 2018	May 31, 2017	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Depreciation and amortization	**142,357**	120,547	18.1	**390,868**	360,448	8.4
Financial expense	**60,669**	33,196	82.8	**139,053**	100,279	38.7

For the three and nine-month periods ended May 31, 2018, depreciation and amortization expense increased by $21.8 million, or 18.1%, to reach $142.4 million and by $30.4 million, or 8.4%, to reach $390.9 million, respectively, compared to the same periods of the prior year mainly due to the MetroCast acquisition in the Communications segment in the second quarter of fiscal 2018, partly offset by the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

For the three and nine-month periods ended May 31, 2018, financial expense increased by $27.5 million, or 82.8%, to reach $60.7 million and by $38.8 million, or 38.7%, to reach $139.1 million, respectively, compared to the same periods of the prior year mainly as follows:

- higher level of Indebtedness and higher interest rates on the First Lien Credit Facilities following the MetroCast acquisition;
- early reimbursement of the Term Loan A-2, A-3 and B facilities during the second quarter of fiscal 2018 which resulted in the write-off of the unamortized deferred transaction costs of $7.3 million; and
- early reimbursement of the US$400 million Senior Unsecured Notes during the third quarter of fiscal 2018 which resulted in a $6.2 million redemption premium and the write-off of the unamortized deferred transaction costs of $2.5 million; partly offset by
- the depreciation of the US dollar against the Canadian dollar compared to the same periods of the prior year.

4.3 INCOME TAXES

For the three-month period ended May 31, 2018, income taxes amounted to $21.4 million, representing a decrease of $7.7 million, or 26.4% compared to $29.0 million for the same period of fiscal 2017 mainly attributable to the effect of the federal rate reduction in the United States and the decrease in profit before income taxes resulting from an increase in financial expense related to the MetroCast acquisition completed in the second quarter of fiscal 2018 and the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

For the nine-month periods ended May 31, 2018, income taxes recovery amounted to $18.6 million, representing a decrease of $99.8 million compared to an expense of $81.1 million for the same period of fiscal 2017. The variation is mainly attributable to the effect of the federal rate reduction in the United States on the net deferred tax liabilities, the decrease in profit before income taxes resulting from non-recurring costs related to the MetroCast acquisition, the revaluation of deferred tax assets in the Business ICT services operations and the depreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

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 $89 million (US$70 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, which together with tax rate reductions, will have an overall favorable impact on the income tax expense in the future.

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

4.4 PROFIT FOR THE PERIOD

For the three-month period ended May 31, 2018, profit for the period amounted to $70.1 million, of which $25.0 million, or $1.53 per share, was attributable to the owners of the Corporation compared to $82.1 million, of which $30.0 million, or $1.81 per share, was attributable to the owners of the Corporation for the same period of fiscal 2017 resulting mainly from increases in depreciation and amortization and financial expense, partly offset by the improvement of adjusted EBITDA and a decrease of income taxes.

For the nine-month period ended May 31, 2018, profit for the period amounted to $295.7 million, of which $100.5 million, or $6.13 per share, was attributable to the owners of the Corporation compared to $242.3 million, of which $86.7 million, or $5.21 per share, was attributable to the owners of the Corporation for the same period of fiscal 2017. The increase is mainly due to the $89 million (US$70 million) reduction in deferred income taxes related to the recent US tax reform and the improvement of adjusted EBITDA, partly offset by increases in depreciation and amortization, integration, restructuring and acquisition costs and financial expense.

The non-controlling interest represents a participation of approximately 68.3% in Cogeco Communications' results in addition to a participation of 21% in its subsidiary results, Atlantic Broadband. The profit for the period attributable to non-controlling interest amounted to $45.2 million and $195.2 million, respectively, for the three and nine months periods ended May 31, 2018 compared to $52.0 million and $155.6 million for the same periods of the prior year.

5. RELATED PARTY TRANSACTIONS

Cogeco holds 31.7% of Cogeco Communications' equity shares, representing 82.2% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and other services to Cogeco Communications under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to Cogeco Communications were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of Cogeco Communications, effective on January 4, 2018. For the three and nine-month periods ended May 31, 2018, management fees paid to Cogeco Inc. amounted to $4.3 million and $14.2 million, respectively, compared to $4.8 million and $14.3 million for the same periods of fiscal 2017.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the first nine months of fiscal 2018, Cogeco Communications granted 126,425 (81,350 in 2017) stock options, did not grant any (nil in 2017) incentive share units ("ISUs") and granted 19,025 (12,150 in 2017) performance share units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During the three and nine-month periods ending May 31, 2018, Cogeco Communications charged Cogeco $240,000 and $635,000 ($163,000 and $465,000 in 2017), nil and $1,000 ($2,000 and $37,000 in 2017) and $254,000 and $736,000 ($177,000 and $483,000 in 2017), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

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

6. CASH FLOW ANALYSIS

	Three-months ended			Nine-months ended		
	May 31, 2018	May 31, 2017	Change	May 31, 2018	May 31, 2017	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Cash flow from operating activities	191,884	243,584	(21.2)	412,369	620,267	(33.5)
Cash flow from investing activities	(72,760)	(100,752)	(27.8)	(2,037,649)	(277,376)	—
Cash flow from financing activities	(230,475)	(48,740)	—	1,474,460	(265,497)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	638	253	—	2,096	923	—
Net change in cash and cash equivalents	(110,713)	94,345	—	(148,724)	78,317	—
Cash and cash equivalents, beginning of the period	174,272	52,316	—	212,283	68,344	—
Cash and cash equivalents, end of the period	63,559	146,661	(56.7)	63,559	146,661	(56.7)

6.1 OPERATING ACTIVITIES

Fiscal 2018 third-quarter cash flow from operating activities reached $191.9 million, representing a decrease of $51.7 million, or 21.2%, compared to the same period of fiscal 2017 mainly as a result of the following:

- the decrease of $54.6 million in changes in non-cash operating activities primarily due to changes in working capital;
- the increase of $16.2 million in income taxes paid; and
- the increase of $13.1 million in financial expense paid; partly offset by
- the improvement of $31.9 million in adjusted EBITDA.

For the first nine months of fiscal 2018 cash flow from operating activities reached $412.4 million, representing a decrease of $207.9 million, or 33.5%, compared to the same period of fiscal 2017 mainly as a result of the following:

- the increase of $142.4 million in income taxes paid mainly as a result of the payment of income taxes installments of $85.5 million which were deferred from fiscal 2017 to the first quarter of fiscal 2018 pursuant to a corporate structure reorganization of certain Canadian subsidiaries in the Communications segment;
- the decrease of $64.1 million in changes in non-cash operating activities primarily due to changes in working capital;
- the increase of $23.2 million in financial expense paid; and
- $18.7 million primarily in acquisition costs related to the MetroCast acquisition; partly offset by
- the improvement of $41.5 million in adjusted EBITDA.

6.2 INVESTING ACTIVITIES

For the three-month period ended May 31, 2018, investing activities reached $72.8 million, representing a decrease of $28.0 million, or 27.8%, compared to $100.8 million for the same period of the prior year mainly due to the $34.0 million redemption of short-term investments, partly offset by the increase of $11.5 million in acquisitions of property, plant and equipment, intangible and other assets.

For the nine-month period ended May 31, 2018, investing activities reached $2.04 billion, compared to $277.4 million for the same period of the prior year mainly due to the $1.76 billion (US$1.40 billion) MetroCast acquisition in the second quarter of fiscal 2018. The remainder of the variation is explained by the increase of $51.2 million in acquisitions of property, plant and equipment, intangible and other assets, partly offset by the $54.0 million redemption of short-term investments.

BUSINESS COMBINATION IN FISCAL 2018

On January 4, 2018, Cogeco Communications' subsidiary, Atlantic Broadband completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast"). This acquisition extends Atlantic Broadband's footprint across 11 states on the East Coast of the United States from Maine to Florida. The transaction valued at US$1.4 billion was subject to post closing adjustments. This acquisition was financed through a combination of US$1.7 billion under a new Senior Secured Term Loan B, whereby US$583 million was used to refinance the existing First Lien Credit Facilities, and US$40.4 million drawn under a new US$150 million Senior Secured Revolving Credit facility, combined with a US$315 million equity investment by Caisse de dépôt et placement du Québec (“CDPQ”) in Atlantic Broadband’s holding company, representing 21% of Atlantic Broadband.

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. During the three-month period ended May 31, 2018, adjustments were made to the working capital resulting in a reduction of the purchase price of $5.2 million (US$4.2 million). The preliminary allocation of the purchase price of this acquisition is as follows:

	Preliminary May 31, 2018 $
Purchase price	
Consideration paid at closing	1,762,163
Working capital adjustments	(5,222)
	1,756,941
Net assets acquired	
Cash and cash equivalents	6
Trade and other receivables	5,075
Prepaid expenses and other	1,989
Property, plant and equipment	297,156
Intangible assets	874,553
Goodwill	583,209
Trade and other payables assumed	(5,047)
	1,756,941

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

For the three and nine-month periods ended May 31, 2018, acquisitions of property, plant and equipment, intangible and other assets amounted to $112.3 million and $336.3 million, respectively, representing increases of $11.5 million and $51.2 million, or 11.4% and 18.0% compared to $100.7 million and $285.1 million for the same periods of fiscal 2017. On a constant currency basis, capital expenditures amounted to $115.7 million and $347.6 million mainly due to the increases 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 2018 third-quarter free cash flow amounted to $115.5 million, an increase of $5.9 million, or 5.3% (5.2% in constant currency) compared to $109.6 million for the same period of the prior year mainly as a result of the following:

- the improvement of $31.9 million in adjusted EBITDA; and
- the decrease of $10.1 million in current income taxes expense; partly offset by
- the increase of $27.5 million in financial expense resulting from the MetroCast acquisition and write-off of the unamortized deferred transaction costs and a redemption premium pertaining to the early reimbursement of the Senior Unsecured Notes; and
- the increase of $11.5 million in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from the MetroCast acquisition.

For the first nine months of fiscal 2018, free cash flow amounted to $289.5 million, a decrease of $49.0 million, or 14.5% (15.5% in constant currency) compared to $338.4 million for the same period of the prior year mainly as a result of the following:

- the increase of $51.2 million in acquisitions of property, plant and equipment, intangible and other assets resulting mostly from the acquisition of several dark fibres from FiberLight, LLC and the MetroCast acquisition;
- the increase of $38.8 million in financial expense resulting from the MetroCast acquisition and write-off of the unamortized deferred transaction costs pertaining to the early reimbursement of certain debts and a redemption premium related to the early reimbursement of the Senior Unsecured Notes;
- $18.7 million primarily in acquisition costs related to the MetroCast acquisition; partly offset by
- the improvement of $41.5 million in adjusted EBITDA; and
- the decrease of $9.6 million in current income taxes expense.

FINANCING ACTIVITIES

For the three and nine-month periods ended May 31, 2018, the change in cash flows arising from financing activities is mainly explained as follows:

	Three-months ended			Nine-months ended			
	May 31, 2018	May 31, 2017	Change	May 31, 2018	May 31, 2017	Change	Explanations
(in thousands of dollars)	$	$	$	$	$	$	
Increase (decrease) in bank indebtedness	11,984	(2,043)	14,027	12,886	(748)	13,634	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	392,013	(20,326)	412,339	403,896	(173,323)	577,219	US$307 million revolving loan was drawn under the Term Revolving Facility following the early reimbursement of the US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018 and drawing of US $40.4 million on the US$150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition. Repayments of the revolving facilities in fiscal 2017 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	Issuance of a US$1.7 billion Senior Secured Term Loan B on January 4, 2018 to finance the MetroCast acquisition.
Repayments of long-term debt	(611,445)	(1,607)	(609,838)	(1,323,511)	(19,461)	(1,304,050)	Repayment of long-term debt including the early reimbursement of the US$400 million Senior Unsecured Notes and repayment at maturity of the Senior Unsecured Debenture in the third quarter of fiscal 2018.
Repayment of balance due on a business combination	—	(837)	837	(118)	(837)	719	
	(207,448)	(24,813)	(182,635)	1,175,561	(194,369)	1,369,930	

DIVIDENDS

During the third quarter of fiscal 2018, a quarterly eligible dividend of $0.39 per share was paid to the holders of multiple and subordinate voting shares, for a total paid of $6.4 million compared to a quarterly eligible dividend of $0.34 per share paid, for a total paid of $5.6 million in the third quarter of fiscal 2017. Dividend payments in the first nine months totaled $1.17 per share, or $19.2 million, compared to $1.02 per share, or $17.0 million, in the prior year.

NORMAL COURSE ISSUER BID

During the three-month period ended May 31, 2018, Cogeco purchased and cancelled 12,952 subordinate voting shares with an average stated value of $0.1 million, for consideration of $0.9 million compared to 69,354 subordinate voting shares with an average stated value of $0.6 million, for consideration of $4.4 million for the same period of the prior year. During the first nine months of fiscal 2018, Cogeco purchased and cancelled 102,300 subordinate voting shares with an average stated value of $0.8 million for a consideration of $8.2 million compared to 161,965 subordinate voting shares with an average stated value of $1.3 million, for a consideration of $9.9 million for the comparable period of the prior year.

The Corporation intends to renew its normal course issuer bid program from August 2, 2018 to August 1, 2019, to enable it to acquire for cancellation up to 550,000 subordinate voting shares. The renewal is subject to Toronto Stock Exchange approval.

6.4 DIVIDEND DECLARATION

At its July 11, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.39 per share for multiple voting and subordinate voting shares, payable on August 8, 2018 to shareholders of record on July 25, 2018. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. COMMUNICATIONS SEGMENT

7.1 OPERATING RESULTS

	Three-months ended				
	May 31, 2018 (1)	May 31, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	637,129	565,158	12.7	15.0	(12,802)
Operating expenses	345,497	306,132	12.9	15.3	(7,328)
Management fees – Cogeco Inc.	4,327	4,793	(9.7)	(9.7)	—
Adjusted EBITDA	287,305	254,233	13.0	15.2	(5,474)
Adjusted EBITDA margin	45.1%	45.0%			
Acquisitions of property, plant and equipment, intangible and other assets	111,960	100,202	11.7	15.2	(3,423)

(1) For the three-month period ended May 31, 2018, the average foreign exchange rates used for translation were 1.2846 USD/CDN and 1.7776 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3479 USD/CDN and 1.7036 GBP/CDN.

	Nine-months ended				
	May 31, 2018 (1)	May 31, 2017	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	1,789,692	1,675,123	6.8	8.9	(34,602)
Operating expenses	972,657	903,062	7.7	10.0	(21,050)
Management fees – Cogeco Inc.	14,165	14,286	(0.8)	(0.8)	—
Adjusted EBITDA	802,870	757,775	6.0	7.7	(13,552)
Adjusted EBITDA margin	44.9%	45.2%			
Acquisitions of property, plant and equipment, intangible and other assets	335,382	282,895	18.6	22.5	(11,288)

(1) For the nine-month period ended May 31, 2018, the average foreign exchange rates used for translation were 1.2664 USD/CDN and 1.7234 GPB/CDN.

(2) Fiscal 2018 actuals are translated at the average foreign exchange rates of the comparable period of fiscal 2017 which were 1.3318 USD/CDN and 1.6744 GBP/CDN.

For the three-month period ended May 31, 2018, revenue amounted to $637.1 million, representing an increase of $72.0 million, or 12.7%, compared to the same period of the prior year. In constant currency, revenue increased by 15.0% mainly explained as follows:

- the MetroCast acquisition completed on January 4, 2018;
- rate increases in the broadband services operations; partly offset by
- decline in primary service units mostly attributable to the Canadian broadband services operations which implemented a new Customer Management system during the third quarter of fiscal 2018;
- more promotional pricing provided to customers in the Canadian broadband services operations; and
- last year's $2.1 million non-recurring revenue related to settlements with suppliers recognized in the third quarter of fiscal 2017 in the Canadian broadband services operations.

For the nine-month period ended May 31, 2018, revenue amounted to $1.79 billion, representing an increase of $114.6 million, or 6.8%, compared to the same period of the prior year. In constant currency, revenue increased by 8.9% mainly explained as follows:

- the MetroCast acquisition completed on January 4, 2018;
- rate increases in the broadband services operations;
- movement of customers to higher value offerings in the Canadian broadband services operations; partly offset by
- decline in primary service units mostly attributable to the Canadian broadband services operations which implemented a Customer Management system during the third quarter of fiscal 2018;
- more promotional pricing provided to customers in the Canadian broadband services operations;

- higher churn and competitive pricing pressures on the hosting and network connectivity services combined with last year's $2.0 million non-recurring revenue related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017 in the Business ICT services operations; and
- last year's $2.1 million non-recurring revenue related to settlements with suppliers recognized in the third quarter of fiscal 2017 in the Canadian broadband services operations.

OPERATING EXPENSES

Fiscal 2018 third-quarter operating expenses amounted to $345.5 million, an increase of $39.4 million, or 12.9% (15.3% in constant currency), compared to the the same period of the prior year, mainly explained as follows:

- the MetroCast acquisition completed on January 4, 2018 and programming rate increases in the American broadband services operations;
- higher headcount mostly related to customer service in the Canadian broadband services operations; and
- higher facilities costs in the Business ICT services operations; partly offset by
- lower marketing and network infrastructure costs due to the timing of certain initiatives in the Business ICT services operations.

For the first nine months of fiscal 2018, operating expenses amounted to $972.7 million, an increase of $69.6 million, or 7.7% (10.0% in constant currency), compared to the same period of the prior year, mainly explained as follows:

- the MetroCast acquisition completed on January 4, 2018 by the American broadband services operations;
- programming rate increases as well as additional costs such as employee and outsourced services compensation costs and marketing expenses to support the continued expansion in Florida and for the business sector as well as non-recurring costs of $3.1 million (US $2.5 million) related to hurricane Irma;
- higher headcount mostly related to customer service and additional costs related to the implementation of a new customer management system in the Canadian broadband services operations; partly offset by
- lower software licenses and fees paid to third parties as a result of lower revenue as well as lower marketing and network infrastructure costs due to the timing of certain initiatives in the Business ICT services operations.

MANAGEMENT FEES

For the three and nine-month periods ended May 31, 2018, management fees paid to Cogeco Inc. amounted to $4.3 million and $14.2 million, respectively, compared to $4.8 million and $14.3 million for the same periods of fiscal 2017. For further details on Cogeco Communications' management fees, please refer to the “Related party transactions” section.

ADJUSTED EBITDA

Fiscal 2018 third-quarter adjusted EBITDA increased by $33.1 million, or 13.0%, to reach $287.3 million. In constant currency, adjusted EBITDA increased by 15.2% resulting essentially from an increase in the American broadband services operations as a result of the MetroCast acquisition, partly offset by decreases in the Canadian broadband services mainly due to last year's $2.1 million non-recurring revenue related to settlements with suppliers and Business ICT services operations.

For the first nine months of fiscal 2018, adjusted EBITDA increased by $45.1 million, or 6.0%, to reach $802.9 million. In constant currency, adjusted EBITDA increased by 7.7% mainly as a result of an increase in the American broadband services operations as a result of the MetroCast acquisition and stable adjusted EBITDA in the Canadian broadband services operations, partly offset by a decrease in the Business ICT services operations.

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

For the three-month period ended May 31, 2018, acquisitions of property, plant and equipment, intangible and other assets amounted to $112.0 million, representing an increase of $11.8 million, or 11.7% compared to $100.2 million for the same period of fiscal 2017. On a constant currency basis, capital expenditures amounted to $115.4 million mainly explained as follows:

- greater investments to extend the network in some of the areas we serve, including an expansion in Florida and the acquisitions of property, plant and equipment related to the recent acquisition of MetroCast; partly offset by
- lower capital expenditures related to the completion of the implementation of a new Customer Management system during the third quarter of fiscal 2018 and the timing of certain initiatives in the Canadian broadband services operations.

For the nine-month period ended May 31, 2018, acquisitions of property, plant and equipment, intangible and other assets amounted to $335.4 million, representing an increase of $52.5 million, or 18.6% compared to $282.9 million for the same period of fiscal 2017. On a constant currency basis, capital expenditures amounted to $346.7 million mainly explained as follows:

- greater investments to extend the network in some of the areas we serve, including an expansion in Florida and the acquisition of property, plant and equipment related to the recent acquisition of MetroCast. Moreover, the increase in the first nine months were also 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 in the American broadband services operations; and
- purchase of additional equipment to serve customers, the ongoing implementation of a new order management and billing platform as well as the timing of certain initiatives in the Business ICT services operations.

7.2 CUSTOMER STATISTICS

	May 31, 2018			Net additions (losses) Three-months ended		Net additions (losses) Nine-months ended	
	Consolidated	Canada	United States	May 31, 2018	May 31, 2017	May 31, 2018 (3)	May 31, 2017 (4)
Primary service units(1)(2)	2,782,705	1,901,037	881,668	(5,563)	(1,351)	(2,577)	26,962
Internet service customers	1,207,262	787,007	420,255	8,061	11,167	33,862	46,513
Video service customers	1,019,852	699,554	320,298	(10,049)	(9,977)	(24,796)	(17,374)
Telephony service customers(2)	555,591	414,476	141,115	(3,575)	(2,541)	(11,643)	(2,177)

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

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

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

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

During the three-month period ended May 31, 2018, the Canadian broadband services operations implemented a new advanced Customer Management system, replacing 22 legacy systems. During the migration period to the new system, marketing and sales initiatives were slowed down on purpose and new services activation were delayed and consequently, primary services units were negatively impacted during the third quarter of fiscal 2018. In addition, as the new Customer Management system relies on different information to account for primary service units, a final reconciliation of primary service units to the legacy systems is currently underway and adjustments, if any, which management would expect to be minor, will be disclosed in the fourth quarter of fiscal 2018.

Variations of each services are also explained as follows:

INTERNET

For the three and nine-month periods ended May 31, 2018, Internet service customers net additions amounted to 8,061 and 33,862, respectively, compared to 11,167 and 46,513 for the same periods of fiscal 2017. The lower net additions for both periods are mainly due to lower marketing and sales initiatives concurrent with the implementation of the new Customer Management system, competitive offers in the industry combined with a higher churn following the end of promotional activity in Canada, partly offset by our customers' ongoing interest in high speed offerings, growth in both the residential and business sectors in the United States combined with additional connects from the Florida expansion during the second quarter of fiscal 2018 and additional customers from the MetroCast acquisition.

VIDEO

For the three and nine-month periods ended May 31, 2018, video service customers net losses stood at 10,049 and 24,796, respectively, compared to 9,977 and 17,374 for the same periods of fiscal 2017. The net losses resulted mainly from lower marketing and sales initiatives concurrent with the implementation of a new Customer Management system, highly competitive offers in the industry, a changing video consumption environment and higher churn following the end of higher promotional activity in Canada, partly offset by our customers' ongoing interest in TiVo's digital advanced video services combined with additional connects from the Florida expansion during the second quarter of fiscal 2018 and a larger customer base resulting from the MetroCast acquisition.

TELEPHONY

For the three and nine-month periods ended May 31, 2018, telephony service customers net losses stood at 3,575 and 11,643, respectively, compared to net losses of 2,541 and 2,177 for the same periods of fiscal 2017. The loss is mainly explained by lower marketing and sales initiatives concurrent with the implementation of a new Customer Management system combined with the increasing mobile penetration and various unlimited offers in Canada launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only, partly offset by the continued growth in the residential and business sectors in the United States.

8. FINANCIAL POSITION

8.1 WORKING CAPITAL

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

The variations are as follows:

	May 31, 2018	August 31, 2017	Change	Explanations
(in thousands of dollars)	$	$	$	
Current assets				
Cash and cash equivalents	63,559	212,283	(148,724)	Please refer to the "Cash flow analysis" section.
Short-term investments	—	54,000	(54,000)	$20.0 million of short-term investments matured in October 2017 and $34 million matured in May 2018.
Trade and other receivables	119,263	112,092	7,171	Non significant.
Income taxes receivable	23,094	4,277	18,817	Mostly related to income tax installments made during the first quarter of fiscal 2018.
Prepaid expenses and other	36,890	21,737	15,153	Increase in prepayments for annual maintenance agreements.
Derivative financial instruments	74	98	(24)	Non significant.
	242,880	404,487	(161,607)	
Current liabilities				
Bank indebtedness	16,687	3,801	12,886	Timing of payments made to suppliers.
Trade and other payables	248,377	337,667	(89,290)	Timing of payments made to suppliers.
Provisions	25,528	23,260	2,268	Non significant.
Income tax liabilities	30,213	103,650	(73,437)	Timing of payments of income taxes related to the deferral to the first quarter of fiscal 2018 of income tax installments pursuant to a corporate structure reorganization of certain Canadian subsidiaries in the Communications segment, partly offset by payment of income taxes in the third quarter of fiscal 2018.
Deferred and prepaid revenue	67,360	85,302	(17,942)	Mostly related to the change in the billing cycles as a result of the completion of the implementation of a new Customer Management system during the third quarter of fiscal 2018 in the Canadian broadband services operations.
Balance due on a business combination	—	118	(118)	Non significant.
Derivative financial instruments	—	192	(192)	Non significant.
Current portion of long-term debt	77,009	131,935	(54,926)	Mostly related to the repayments of the Senior Unsecured Debenture maturing in March 2018, partly offset by the $55 million Senior Secured Notes Series B maturing in October 2018 and the appreciation of the US dollar against the Canadian dollar.
	465,174	685,925	(220,751)	
Working capital deficiency	(222,294)	(281,438)	59,144	

8.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	May 31, 2018 $	August 31, 2017 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	2,275,446	1,961,743	313,703	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018 combined with capital expenditures exceeding depreciation expense and the appreciation of the US dollar and the British Pound against the Canadian dollar.
Intangible assets	2,946,875	2,058,220	888,655	Mostly related to the MetroCast acquisition in the second quarter of fiscal 2018 combined with the appreciation of the US dollar and the British Pound against the Canadian dollar, partly offset by amortization expense.
Goodwill	1,671,327	1,042,009	629,318	Related to the MetroCast acquisition combined with the appreciation of the US dollar and the British Pound against the Canadian dollar.
Non-current liabilities				
Long-term debt	3,813,829	2,479,421	1,334,408	Issuance by Cogeco Communications of a US$1.7 billion Senior Secured Term Loan B, drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility on January 4, 2018 to finance the MetroCast acquisition and the appreciation of the US dollar against the Canadian dollar, partly offset by the repayments of Term Loan A-2, Term Loan A-3 and Term Loan B Facilities in the second quarter of fiscal 2018 as well as the early reimbursement of the US $400 million Senior Unsecured Notes in the third quarter of fiscal 2018.
Deferred tax liabilities	552,703	623,436	(70,733)	Mostly related to the US tax reform combined with the appreciation of the US dollar against the Canadian dollar.
Shareholders' equity				
Equity attributable to non-controlling interest	1,639,071	1,092,867	546,204	Mostly related to an equity investment of US$315 million made by CDPQ in Atlantic Broadband's holding company for the MetroCast acquisition, representing 21% of Atlantic Broadband.

8.3 OUTSTANDING SHARE DATA

A description of Cogeco's share data at June 30, 2018 is presented in the table below. Additional details are provided in note 10 of the consolidated financial statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,812,860	12
Subordinate voting shares	14,659,217	119,046

8.4 FINANCING

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

In May 2018, Cogeco Communications proceeded to the early reimbursement of its US$400 million Senior Unsecured Notes and drew a US$307 million revolving loan under its Term Revolving Facility.

On January 4, 2018, in connection with the financing of the MetroCast acquisition, a new $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries, whereby $733 million (US$583 million) was used to reimburse the pre-existing Term Loan A-2, A-3, B and Revolving Facility.

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

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

Since October 2017, a US subsidiary of Cogeco Communications has entered into eight forward starting interest rate swap agreements on a notional amount totalling US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 and November 30, 2024, under the US$1.7 billion Senior Secured Term Loan B.

At May 31, 2018, the Corporation had used $6 million of its $50 million Term Revolving Facility and an amount of $441.4 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $44 million and $358.6 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $194.2 million (US$150 million), of which $16.2 million (US$12.5 million) was used at May 31, 2018 for a remaining availability of $178.0 million (US$137.5 million).

8.5 COMMITMENT

On December 30, 2017, Cogeco Communication's subsidiary, Atlantic Broadband, signed an Asset Purchase Agreement ("APA") with FiberLight, LLC to acquire all of its fibre network and corresponding assets owned on the East Coast of south Florida for a consideration of US$34 million, which is subject to regulatory approvals and customary closing adjustments.

8.6 COGECO COMMUNICATIONS CREDIT RATINGS

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

At May 31, 2018	S&P	DBRS	Fitch	Moody's
Cogeco Communications				
Senior Secured Notes and Debentures	BBB-	BBB (low)	BBB-	NR
Senior Unsecured Notes	BB-	BB	BB+	NR
Atlantic Broadband				
First Liens Credit Facilities	BB-	NR	NR	B1

NR : Not rated

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

8.7 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2018, all of the Corporation’s and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest risk instruments, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2018:

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

The sensitivity of the Corporation’s annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $11.3 million based on the outstanding debt at May 31, 2018.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $13.3 million based on the outstanding debt at May 31, 2018.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into foreign currency forward contracts and designated them as a cash-flow hedge for accounting purposes. The following table shows the forward contracts outstanding at May 31, 2018:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$7.5 million	June 2018	1.2848	Purchase commitments of property, plant and equipment

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

The following table shows the net investments in foreign operations outstanding at May 31, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$697 million	US$957.5 million	Net investments in foreign operations in US dollar
N/A	£—	£25.5 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 May 31, 2018 was $1.2948 ($1.2536 at August 31, 2017) per US dollar and $1.7222 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $38.1 million.

8.8 FOREIGN CURRENCY

For the three and nine-month periods ended May 31, 2018, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

	Three-months ended				Nine-months ended			
	May 31, 2018	May 31, 2017	Change	Change	**May 31, 2018**	May 31, 2017	Change	Change
	$	$	$	%	**$**	$	$	%
US dollar vs Canadian dollar	**1.2846**	1.3479	(0.06)	(4.7)	**1.2664**	1.3318	(0.07)	(4.9)
British Pound vs Canadian dollar	**1.7776**	1.7036	0.07	4.3	**1.7234**	1.6744	0.05	2.9

The following table highlights in Canadian dollars, the impact of a $0.07 appreciation of the Canadian dollar against the US dollar and a $0.05 depreciation of the Canadian dollar against the British Pound on the Communications segment's operating results for the nine-month period ended May 31, 2018:

	Communications segment
Nine months ended May 31, 2018	Exchange rate impact
(in thousands of dollars)	**$**
Revenue	**(34,602)**
Operating expenses	**(21,050)**
Management fees - Cogeco Inc.	**—**
Adjusted EBITDA	**(13,552)**
Acquisitions of property, plant and equipment, intangible and other assets	**(11,288)**
Free cash flow	**3,367**

9. FISCAL 2019 PRELIMINARY FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook for Cogeco. For a description of risk factors that could cause actual results to differ materially from what Cogeco expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A and of the Corporation's 2017 annual MD&A.

9.1 CONSOLIDATED

The Corporation's fiscal 2019 preliminary financial guidelines are mainly driven by those of the Communications segment which are described below.

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

	Preliminary projections (prior to the adoption of IFRS 15)[1] Fiscal 2019[2]
(in millions of dollars, except percentages)	$
Financial guidelines	
Revenue	Increase of 6% to 8%
Adjusted EBITDA	Increase of 8% to 10%
Acquisitions of property, plant and equipment, intangible and other assets[3]	$555 to $575
Free cash flow[4]	Increase of 17% to 24%

(1) Fiscal 2019 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2018 prior to the adoption of IFRS 15, *Revenue from contracts with customers.*

(2) Fiscal 2019 financial guidelines are based on fiscal 2018 estimated USD/CDN exchange rate of 1.26 USD/CDN and 1.70 GBP/CDN.

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

(4) Free cash flow expected growth excludes purchases of Spectrum licenses as they are not part of the definition of acquisitions of property, plant and equipment, intangible and other assets. In addition, the assumed current income tax effective rate is approximatively 19%.

9.2 COMMUNICATIONS SEGMENT

On a constant currency and consolidated basis, Cogeco Communications expects fiscal 2019 revenue to grow between 6% and 8% mainly as a result of the full year impact of the MetroCast acquisition in the American broadband services segment compared to eight months for fiscal 2018. In addition, growth in the American broadband services segment should also stem from growth of primary service units from the continued expansion in Florida as well as from MetroCast growth in the residential sector combined with the impact of rate increases in most services. In the Canadian broadband services segment, revenue growth should stem primarily from the business sector as a result of the increasing demand for Internet services. Revenue should also stem from the impact of rate increases in most services. In the Business ICT services segment, revenue should benefit from growth in colocation and hosting services, partly offset by a decrease in network connectivity services as a result of competitive pricing pressures.

On a constant currency and consolidated basis, fiscal 2019 adjusted EBITDA should grow between 8% and 10% due to the full year impact of the MetroCast acquisition and from revenue growth exceeding operating expenses as result of cost reduction initiatives in the Canadian broadband services segment, partly offset by higher operating expenses in the American broadband services and Business ICT services segments.

The capital intensity ratio should remain stable. In the Business ICT services segment, higher capital expenditures are expected due to strategic investments amounting to approximately $30 million in its existing Kirkland data centre facility to build a third pod to serve customer needs. Additional capital expenditures in the Canadian broadband services segment should result mainly from digital transformation initiatives and investments in network infrastructure in order to extend the network in new areas as well as to improve the capacity of the Internet platform in some of the areas we serve. In the American broadband services segment, capital expenditures should remain essentially the same. Fiscal 2019 expected capital expenditures include investments to upgrade our network to 1 Gigabit Internet services to approximately 60% of our Canadian broadband footprint and 85% of our American broadband footprint.

Free cash flow on a constant currency and consolidated basis should increase between 18% and 25% mainly due to the growth of adjusted EBITDA, partly offset by an increase in capital expenditures.

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

	Preliminary projections (prior to the adoption of IFRS 15)[1]
	Fiscal 2019[2]
(in millions of dollars, except percentages)	$
Financial guidelines	
Revenue[3]	Increase of 6% to 8%
Adjusted EBITDA[3]	Increase of 8% to 10%
Acquisitions of property, plant and equipment, intangible and other assets[4]	$550 to $570
Capital intensity	21% to 22%
Free cash flow[5]	Increase of 18% to 25%

(1) Fiscal 2019 preliminary financial guidelines presented as percentages reflect increases over projections for fiscal 2018 prior to the adoption of IFRS 15, *Revenue from contracts with customers.*

(2) Fiscal 2019 financial guidelines are based on fiscal 2018 estimated USD/CDN exchange rate of 1.26 USD/CDN and 1.70 GBP/CDN.

(3) The impact of integrating MetroCast operating results for a full year, together with fibre asset purchases announced in December 2017, represent approximately 4% of revenue growth and 5% of adjusted EBITDA growth.

(4) The definition of acquisitions of property, plant and equipment, intangible and other assets excludes purchases of Spectrum licenses.

(5) Free cash flow expected growth excludes purchases of Spectrum licenses as they are not part of the definition of acquisitions of property, plant and equipment, intangible and other assets. In addition, the assumed current income tax effective rate is approximatively 19%.

10. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco's internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at May 31, 2018, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and nine-month periods ended May 31, 2018.

11. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco can be found in the 2017 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2017 Annual Report, which are hereby incorporated by reference.

Legislative reviews

The Government of Canada announced, on June 5, 2018, a joint review of the broadcasting and telecommunications suite of legislation, namely the *Telecommunications Act,* the *Broadcasting Act* and *Radiocommunication Act*. This review will be led by a panel comprising seven external experts in the telecommunications and broadcast industry. As a first step of the review, the panel is expected to report to the Government with recommendations by January 31, 2020.

Recent regulatory proceedings and decisions in Canada

In its April 2018 mid-year report, the Commission for Complaints for Telecom-Television Services found that complaints against telecommunications providers had increased compared to the previous year. As a result, in June 2018, the Government directed the Canadian Radio-television and Telecommunications Commission ("CRTC") to investigate and report on the sales practices used by Canadian telecommunications companies. The report resulting from the inquiry must include potential solutions to ensure Canadian consumers are adequately protected and treated fairly. The CRTC will be required to complete its inquiry and report by February 28, 2019.

On May 10, 2018, the Competition Bureau initiated a consultation on the competitive dynamics of the Canadian broadband market. The Competition Bureau expects to publish a final report with its conclusions and recommendations in Spring 2019.

Following a direction from the Governor-in-Council to reconsider certain elements of a 2017 decision on wholesale roaming services, the CRTC rendered a decision on March 22, 2018 which marked the launch of a public consultation regarding low-cost data-only wireless plans and reaffirmed an upcoming policy review of the wholesale wireless framework to be started within the next year.

Changes in the above-mentioned laws and policies or in the regulatory framework may affect the Corporation's existing business activities or future prospects.

12. ACCOUNTING POLICIES

12.1 NEW ACCOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standards Board* ("IASB") that are mandatory but not yet effective for the three and nine-month periods ended May 31, 2018 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2017 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

12.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

13. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regards to our business units. Reconciliations between "free cash flow" and "adjusted EBITDA" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisitions of property, plant and equipment, intangible and other assets 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; - Acquisition of property, plant and equipment; and - Acquisition of intangible and other assets(1).	Cash flow from operating activities
Adjusted EBITDA	Adjusted EBITDA is a key measure commonly reported and used in the telecommunications industry, as it allows comparisons between companies that have different capital structures and is a more current measure since it excludes the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco 's business units is equal to the segment profit reported in note 2 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the period
Constant currency basis	Revenue, adjusted EBITDA, acquisitions of property, plant and equipment, intangible and other assets 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 and GBP currency at the foreign exchange rates of the comparable periods of the prior year. For the three and the nine-months periods ended May 31, 2017, the average foreign exchange rates used for translation were 1.3479 USD/CDN and 1.7036 GBP/CDN and 1.3318 USD/CDN and 1.6744 GBP/CDN, respectively.	No comparable IFRS measure

(1) The definition of acquisitions of intangible and other assets excludes purchases of Spectrum licenses and therefore, Spectrum licenses are not included in the calculation of free cash flow.

13.1 FREE CASH FLOW RECONCILIATION

	Three-months ended		Nine-months ended	
	May 31, 2018	May 31, 2017	**May 31, 2018**	May 31, 2017
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**191,884**	243,584	**412,369**	620,267
Amortization of deferred transaction costs and discounts on long-term debt	**4,826**	2,307	**16,514**	6,850
Changes in non-cash operating activities	**28,498**	(26,103)	**112,474**	48,422
Income taxes paid	**18,426**	2,216	**155,034**	12,663
Current income taxes	**(13,604)**	(23,670)	**(62,861)**	(72,472)
Financial expense paid	**58,391**	45,243	**131,316**	108,104
Financial expense	**(60,669)**	(33,196)	**(139,053)**	(100,279)
Acquisition of property, plant and equipment	**(107,544)**	(95,987)	**(321,814)**	(270,779)
Acquisition of intangible and other assets	**(4,706)**	(4,755)	**(14,517)**	(14,343)
Free cash flow	**115,502**	109,639	**289,462**	338,433

13.2 ADJUSTED EBITDA RECONCILIATION

	Three-months ended		Nine-months ended	
	May 31, 2018	May 31, 2017	**May 31, 2018**	May 31, 2017
(in thousands of dollars)	**$**	$	**$**	$
Profit for the period	**70,129**	82,082	**295,672**	242,273
Income taxes	**21,354**	29,006	**(18,613)**	81,141
Financial expense	**60,669**	33,196	**139,053**	100,279
Depreciation and amortization	**142,357**	120,547	**390,868**	360,448
Integration, restructuring and acquisition costs	**2,260**	—	**18,651**	—
Adjusted EBITDA	**296,769**	264,831	**825,631**	784,141

14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Three-months ended	May 31,		February 28,		November 30,		August 31,	
(in thousands of dollars, except per share data)	2018	2017	2018	2017	2017	2016	2017	2016
	$	$	$	$	$	$	$	$
Revenue	668,927	599,654	623,226	586,417	586,072	583,088	578,519	572,045
Adjusted EBITDA	296,769	264,831	272,492	258,043	256,370	261,267	251,404	258,328
Integration, restructuring and acquisition costs	2,260	—	15,999	—	392	—	3,191	1,326
Claims and litigations	—	—	—	—	—	—	—	292
Gain on disposal of a subsidiary	—	—	—	—	—	—	—	(167)
Profit for the period	70,129	82,082	143,765	78,232	81,778	81,959	71,094	80,662
Profit for the period attributable to owners of the Corporation	24,976	30,043	45,974	25,865	29,525	30,765	22,312	29,792
Cash flow from operating activities	191,884	243,584	218,156	253,808	2,329	122,875	356,814	271,114
Acquisitions of property, plant and equipment, intangible and other assets	112,250	100,742	127,772	87,036	96,309	97,344	146,185	111,002
Free cash flow	115,502	109,639	64,946	119,461	106,830	107,068	51,841	88,028
Earnings per share(1)								
Basic	1.53	1.81	2.81	1.55	1.80	1.84	1.35	1.78
Diluted	1.51	1.80	2.79	1.54	1.78	1.83	1.34	1.78
Dividends per share	0.39	0.34	0.39	0.34	0.39	0.34	0.34	0.295
Weighted average number of multiple and subordinate voting shares outstanding	16,368,545	16,566,422	16,369,823	16,660,147	16,430,596	16,720,990	16,527,385	16,726,378

(1) Per multiple and subordinate voting share.

14.1 SEASONAL VARIATIONS

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

15. ADDITIONAL INFORMATION

This MD&A was prepared on July 11, 2018. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Inc.
Montréal, Québec
July 11, 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2018

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2018**	2017	**2018**	2017
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*2*	**668,927**	599,654	**1,878,225**	1,769,159
Operating expenses	*4*	**372,158**	334,823	**1,052,594**	985,018
Integration, restructuring and acquisition costs	*2*	**2,260**	—	**18,651**	—
Depreciation and amortization	*5*	**142,357**	120,547	**390,868**	360,448
Financial expense	*6*	**60,669**	33,196	**139,053**	100,279
Income taxes	*7*	**21,354**	29,006	**(18,613)**	81,141
Profit for the period		**70,129**	82,082	**295,672**	242,273
Profit for the period attributable to:					
Owners of the Corporation		**24,976**	30,043	**100,475**	86,673
Non-controlling interest		**45,153**	52,039	**195,197**	155,600
		70,129	82,082	**295,672**	242,273
Earnings per share					
Basic	*8*	**1.53**	1.81	**6.13**	5.21
Diluted	*8*	**1.51**	1.80	**6.08**	5.17

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

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit for the period	**70,129**	82,082	**295,672**	242,273
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	**3,164**	(146)	**32,104**	1,459
Related income taxes	**(923)**	39	**(8,465)**	(368)
	2,241	(107)	**23,639**	1,091
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**16,040**	14,278	**50,503**	21,464
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(8,616)**	(10,067)	**(29,882)**	(16,342)
Related income taxes	**8**	(155)	**377**	(406)
	7,432	4,056	**20,998**	4,716
	9,673	3,949	**44,637**	5,807
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability	**(434)**	(2,945)	**5,072**	11,833
Related income taxes	**115**	780	**(1,343)**	(3,136)
	(319)	(2,165)	**3,729**	8,697
Other comprehensive income for the period	**9,354**	1,784	**48,366**	14,504
Comprehensive income for the period	**79,483**	83,866	**344,038**	256,777
Comprehensive income for the period attributable to:				
Owners of the Corporation	**26,746**	29,965	**114,106**	94,021
Non-controlling interest	**52,737**	53,901	**229,932**	162,756
	79,483	83,866	**344,038**	256,777

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

	Equity attributable to the 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 10)		*(Note 11)*			
Balance at August 31, 2016	116,489	7,349	27,109	352,397	940,830	1,444,174
Profit for the period	—	—	—	86,673	155,600	242,273
Other comprehensive income for the period	—	—	1,843	5,505	7,156	14,504
Comprehensive income for the period	—	—	1,843	92,178	162,756	256,777
Share-based payment	—	2,547	—	—	2,467	5,014
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(342)	—	—	5,453	5,111
Dividends (Note 10 C))	—	—	—	(16,983)	(43,241)	(60,224)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	647	(647)	—
Purchase and cancellation of subordinate voting shares	(1,318)	—	—	(8,542)	—	(9,860)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,247)	—	—	—	—	(2,247)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	1,563	(1,513)	—	(50)	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(3,436)	(3,436)
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,224)	—	(63)	1,287	—
Total distributions to shareholders	(2,002)	(532)	—	(24,991)	(38,117)	(65,642)
Balance at May 31, 2017	114,487	6,817	28,952	419,584	1,065,469	1,635,309
Balance at August 31, 2017	**114,021**	**7,644**	**24,575**	**432,316**	**1,092,867**	**1,671,423**
Profit for the period	**—**	**—**	**—**	**100,475**	**195,197**	**295,672**
Other comprehensive income for the period	**—**	**—**	**10,856**	**2,775**	**34,735**	**48,366**
Comprehensive income for the period	**—**	**—**	**10,856**	**103,250**	**229,932**	**344,038**
Share-based payment	**—**	**3,891**	**—**	**—**	**3,739**	**7,630**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(182)**	**—**	**—**	**3,570**	**3,388**
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	**—**	**—**	**—**	**—**	**388,907**	**388,907**
Dividends (Note 10 C))	**—**	**—**	**—**	**(19,175)**	**(47,917)**	**(67,092)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**24,187**	**(24,187)**	**—**
Purchase and cancellation of subordinate voting shares	**(832)**	**—**	**—**	**(7,345)**	**—**	**(8,177)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,575)**	**—**	**—**	**—**	**—**	**(5,575)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,065**	**(2,055)**	**—**	**(10)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(9,352)**	**(9,352)**
Distribution to employees, by a subsidiary, of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,469)**	**—**	**(43)**	**1,512**	**—**
Total contributions by (distributions to) shareholders	**(4,342)**	**185**	**—**	**(2,386)**	**316,272**	**309,729**
Balance at May 31, 2018	**109,679**	**7,829**	**35,431**	**533,180**	**1,639,071**	**2,325,190**

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

(In thousands of Canadian dollars)	*Notes*	May 31, 2018 $	August 31, 2017 $
Assets			
Current			
Cash and cash equivalents	*12 B)*	63,559	212,283
Short-term investments		—	54,000
Trade and other receivables		119,263	112,092
Income taxes receivable		23,094	4,277
Prepaid expenses and other		36,890	21,737
Derivative financial instruments		74	98
		242,880	404,487
Non-current			
Other assets		8,456	7,396
Property, plant and equipment		2,275,446	1,961,743
Intangible assets		2,946,875	2,058,220
Goodwill		1,671,327	1,042,009
Derivative financial instruments		32,695	759
Pension plan assets		6,929	—
Deferred tax assets		17,669	24,762
		7,202,277	5,499,376
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		16,687	3,801
Trade and other payables		248,377	337,667
Provisions		25,528	23,260
Income tax liabilities		30,213	103,650
Deferred and prepaid revenue		67,360	85,302
Balance due on a business combination		—	118
Derivative financial instruments		—	192
Current portion of long-term debt	*9*	77,009	131,935
		465,174	685,925
Non-current			
Long-term debt	*9*	3,813,829	2,479,421
Deferred and prepaid revenue and other liabilities		40,114	31,462
Pension plan liabilities and accrued employee benefits		5,267	7,709
Deferred tax liabilities		552,703	623,436
		4,877,087	3,827,953
Shareholders' equity			
Equity attributable to the owners of the Corporation			
Share capital	*10 B)*	109,679	114,021
Share-based payment reserve		7,829	7,644
Accumulated other comprehensive income	*11*	35,431	24,575
Retained earnings		533,180	432,316
		686,119	578,556
Equity attributable to non-controlling interest		1,639,071	1,092,867
		2,325,190	1,671,423
		7,202,277	5,499,376

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2018**	2017	**2018**	2017
(In thousands of Canadian dollars)		**$**	$	**$**	$
Cash flow from operating activities					
Profit for the period		**70,129**	82,082	**295,672**	242,273
Adjustments for:					
Depreciation and amortization	*5*	**142,357**	120,547	**390,868**	360,448
Financial expense	*6*	**60,669**	33,196	**139,053**	100,279
Income taxes	*7*	**21,354**	29,006	**(18,613)**	81,141
Share-based payment	*10 D)*	**2,497**	2,699	**4,856**	6,826
Loss on disposals and write-offs of property, plant and equipment		**436**	1,557	**901**	974
Defined benefit plans contributions, net of expense		**(243)**	(4,147)	**(1,544)**	(2,485)
		297,199	264,940	**811,193**	789,456
Changes in non-cash operating activities	*12 A)*	**(28,498)**	26,103	**(112,474)**	(48,422)
Financial expense paid		**(58,391)**	(45,243)	**(131,316)**	(108,104)
Income taxes paid		**(18,426)**	(2,216)	**(155,034)**	(12,663)
		191,884	243,584	**412,369**	620,267
Cash flow from investing activities					
Acquisition of property, plant and equipment		**(107,544)**	(95,987)	**(321,814)**	(270,779)
Acquisition of intangible and other assets		**(4,706)**	(4,755)	**(14,517)**	(14,343)
Redemption of short-term investments		**34,000**	—	**54,000**	—
Business combination, net of cash and cash equivalents acquired	*3*	**5,222**	—	**(1,756,935)**	(804)
Proceeds on disposals of property, plant and equipment		**268**	—	**1,617**	8,560
Other		**—**	(10)	**—**	(10)
		(72,760)	(100,752)	**(2,037,649)**	(277,376)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		**11,984**	(2,043)	**12,886**	(748)
Net increase (decrease) under the revolving facilities		**392,013**	(20,326)	**403,896**	(173,323)
Issuance of long-term debt, net of discounts and transaction costs		**—**	—	**2,082,408**	—
Repayments of long-term debt		**(611,445)**	(1,607)	**(1,323,511)**	(19,461)
Repayment of balance due on a business combination		**—**	(837)	**(118)**	(837)
Increase in deferred transaction costs		**—**	—	**(3,200)**	(472)
Purchase and cancellation of subordinate voting shares		**(850)**	(4,354)	**(8,177)**	(9,860)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*10 B)*	**—**	—	**(5,575)**	(2,247)
Dividends paid on multiple voting shares	*10 C)*	**(707)**	(627)	**(2,133)**	(1,880)
Dividends paid on subordinate voting shares	*10 C)*	**(5,677)**	(5,003)	**(17,042)**	(15,103)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**313**	479	**3,388**	5,111
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		**(140)**	—	**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)**	(3,436)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(15,966)**	(14,422)	**(47,917)**	(43,241)
		(230,475)	(48,740)	**1,474,460**	(265,497)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**638**	253	**2,096**	923
Net change in cash and cash equivalents		**(110,713)**	94,345	**(148,724)**	78,317
Cash and cash equivalents, beginning of the period		**174,272**	52,316	**212,283**	68,344
Cash and cash equivalents, end of the period		**63,559**	146,661	**63,559**	146,661

NATURE OF OPERATIONS

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

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

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

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

Cogeco is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". The subordinate voting shares of Cogeco Communications are also listed on the TSX under the trading symbol "CCA".

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. Certain information and footnote disclosure normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2017 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2017 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Corporation does not expect seasonality to be a material factor in quarterly results except that in the Communications segment, the number of customers in the Internet and video services are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. The Corporation offers its services in several university and college towns such as Kingston, Windsor, St.Catharines, Hamilton, Peterborough, Trois-Rivières and Rimouski in Canada and in Pennsylvania, and to a lesser extent in South Carolina, eastern Connecticut, Maryland and Delaware in the United States. In the United States, the Miami and New Hampshire/Maine areas are also subject to seasonal fluctuations.

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on July 11, 2018.

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

2. OPERATING SEGMENTS

The Corporation's segment profit for the period is reported in two operating segments: Communications and Other. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

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

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

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

						Three months ended May 31,
		Communications		**Other**		**Consolidated**
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Revenue (1)	**637,129**	565,158	**31,798**	34,496	**668,927**	599,654
Operating expenses	**345,497**	306,132	**26,661**	28,691	**372,158**	334,823
Management fees – Cogeco Inc.	**4,327**	4,793	**(4,327)**	(4,793)	**—**	—
Segment profit	**287,305**	254,233	**9,464**	10,598	**296,769**	264,831
Integration, restructuring and acquisition costs (2)	**2,260**	—	**—**	—	**2,260**	—
Depreciation and amortization	**141,498**	119,597	**859**	950	**142,357**	120,547
Financial expense	**59,955**	31,792	**714**	1,404	**60,669**	33,196
Income taxes	**19,054**	26,641	**2,300**	2,365	**21,354**	29,006
Profit for the period	**64,538**	76,203	**5,591**	5,879	**70,129**	82,082
Acquisition of property, plant and equipment	**107,254**	95,447	**290**	540	**107,544**	95,987
Acquisition of intangible and other assets	**4,706**	4,755	**—**	—	**4,706**	4,755

(1) For the three-month period ended May 31, 2018, revenue by geographic market includes $403,233 in Canada ($405,120 in 2017), $257,391 in the United States ($186,802 in 2017) and $8,303 in Europe ($7,732 in 2017).

(2) Comprised of acquisition and integration costs at Atlantic Broadband, in connection with the MetroCast acquisition completed on January 4, 2018 (see Note 3).

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

						Nine months ended May 31,
		Communications		**Other**		**Consolidated**
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Revenue (1)	**1,789,692**	1,675,123	**88,533**	94,036	**1,878,225**	1,769,159
Operating expenses	**972,657**	903,062	**79,937**	81,956	**1,052,594**	985,018
Management fees – Cogeco Inc.	**14,165**	14,286	**(14,165)**	(14,286)	**—**	—
Segment profit	**802,870**	757,775	**22,761**	26,366	**825,631**	784,141
Integration, restructuring and acquisition costs (2)	**18,651**	—	**—**	—	**18,651**	—
Depreciation and amortization	**388,378**	357,926	**2,490**	2,522	**390,868**	360,448
Financial expense	**136,990**	96,357	**2,063**	3,922	**139,053**	100,279
Income taxes	**(23,919)**	75,602	**5,306**	5,539	**(18,613)**	81,141
Profit for the period	**282,770**	227,890	**12,902**	14,383	**295,672**	242,273
Total assets (3)	**7,042,259**	5,348,380	**160,018**	150,996	**7,202,277**	5,499,376
Property, plant and equipment (3)	**2,262,483**	1,947,239	**12,963**	14,504	**2,275,446**	1,961,743
Intangible assets (3)	**2,866,957**	1,978,302	**79,918**	79,918	**2,946,875**	2,058,220
Goodwill (3)	**1,652,742**	1,023,424	**18,585**	18,585	**1,671,327**	1,042,009
Acquisition of property, plant and equipment	**320,865**	268,552	**949**	2,227	**321,814**	270,779
Acquisition of intangible and other assets	**14,517**	14,343	**—**	—	**14,517**	14,343

(1) For the nine-month period ended May 31, 2018, revenue by geographic market includes $1,194,313 in Canada ($1,194,427 in 2017), $659,971 in the United States ($550,960 in 2017) and $23,941 in Europe ($23,772 in 2017).

(2) Comprised of acquisition and integration costs at Atlantic Broadband, in connection with the Metrocast acquisition completed on January 4, 2018 (see Note 3).

(3) At May 31, 2018 and August 31, 2017.

The following tables set out certain geographic market information at May 31, 2018 and August 31, 2017:

				At May 31, 2018
	Canada	**United States**	**Europe**	**Total**
	$	**$**	**$**	**$**
Property, plant and equipment	**1,400,900**	**845,895**	**28,651**	**2,275,446**
Intangible assets	**1,116,551**	**1,827,974**	**2,350**	**2,946,875**
Goodwill	**240,452**	**1,416,038**	**14,837**	**1,671,327**

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

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

3. BUSINESS COMBINATION

MetroCast business combination

On January 4, 2018, Atlantic Broadband completed the acquisition of substantially all of the assets of Harron Communications, L.P. cable systems operating under the MetroCast brand name ("MetroCast"). This acquisition extends Atlantic Broadband's footprint across 11 states on the East Coast of the United States from Maine to Florida. The transaction valued at US$1.4 billion was subject to post closing adjustments. This acquisition was financed through a combination of US$1.7 billion under a new Senior Secured Term Loan B, whereby US$583 million was used to refinance the existing First Lien Credit Facilities, and US$40.4 million drawn under a new US$150 million Senior Secured Revolving Credit facility, combined with a US$315 million equity investment by Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband's holding company, representing 21% of Atlantic Broadband.

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. During the three-month period ended May 31, 2018, adjustments were made to the working capital resulting in a reduction of the purchase price of $5.2 million (US$4.2 million). The preliminary allocation of the purchase price of this acquisition is as follows:

	Preliminary May 31, 2018 $
Purchase price	
Consideration paid at closing	1,762,163
Working capital adjustments	(5,222)
	1,756,941
Net assets acquired	
Cash and cash equivalents	6
Trade and other receivables	5,075
Prepaid expenses and other	1,989
Property, plant and equipment	297,156
Intangible assets	874,553
Goodwill	583,209
Trade and other payables assumed	(5,047)
	1,756,941

The amount of goodwill, which is expected to be deductible for tax purposes, is mainly attributable to revenue and adjusted EBITDA growth considering residential and business growth opportunities, to the expected benefits from the corporate tax structure and to the strength of MetroCast assembled workforce.

In connection with this acquisition, Atlantic Broadband incurred acquisition-related costs of $21.8 million, of which $18.7 million were recognized in the current year ($3.2 million in 2017), as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statement of profit and loss.

During the three and nine-month periods ended May 31, 2018, the Corporation recognized $74.5 million and $122 million of revenue, and $19.4 million and $32.5 million of profit related to the additional operations generated by the acquisition of MetroCast which excludes acquisition and integration costs and financial expense, net of the related income tax effect. The MetroCast revenue, operating expenses and depreciation and amortization are recognized in the Communications operating segment.

Had the business combination been effective at September 1, 2017, the consolidated revenue of the Corporation would have been $1.973 billion, and the profit would have been $297.2 million for the nine-month period ended May 31, 2018. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on September 1, 2017.

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

4. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**120,371**	111,310	**345,020**	327,068
Service delivery costs (1)	**188,634**	170,088	**531,787**	503,773
Customer related costs (2)	**22,498**	18,540	**63,598**	56,775
Other external purchases (3)	**40,655**	34,885	**112,189**	97,402
	372,158	334,823	**1,052,594**	985,018

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

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

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

5. DEPRECIATION AND AMORTIZATION

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Depreciation of property, plant and equipment	**118,633**	104,831	**331,404**	313,727
Amortization of intangible assets	**23,724**	15,716	**59,464**	46,721
	142,357	120,547	**390,868**	360,448

6. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Interest on long-term debt (1)	**56,607**	32,622	**135,482**	97,414
Net foreign exchange gains	**(2,173)**	(725)	**(3,639)**	(936)
Amortization of deferred transaction costs	**453**	658	**1,489**	1,938
Capitalized borrowing costs (2)	**(338)**	(738)	**(1,912)**	(2,097)
Other	**6,120**	1,379	**7,633**	3,960
	60,669	33,196	**139,053**	100,279

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

(2) For the three and nine-month periods ended May 31, 2018 and 2017, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

7. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Current	**13,604**	23,670	**62,861**	72,472
Deferred	**7,750**	5,336	**(81,474)**	8,669
	21,354	29,006	**(18,613)**	81,141

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

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Profit before income taxes	**91,483**	111,088	**277,059**	323,414
Combined Canadian income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Income taxes at combined Canadian income tax rate	**24,244**	29,438	**73,421**	85,705
Adjustment for losses or profit subject to lower or higher tax rates	**940**	2,977	**436**	8,512
Revaluation of deferred tax assets	**(699)**	(293)	**8,858**	(29)
Impact on deferred taxes as a result of changes in substantively enacted tax rates (1)	**—**	—	**(89,046)**	(1,552)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**2,349**	51	**2,305**	268
Tax impacts related to foreign operations	**(6,898)**	(4,327)	**(16,322)**	(12,762)
Other	**1,418**	1,160	**1,735**	999
Income taxes at effective income tax rate	**21,354**	29,006	**(18,613)**	81,141

(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 $89 million (US$70 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.

8. EARNINGS PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Profit for the period attributable to the owners of the Corporation	**24,976**	30,043	**100,475**	86,673
Weighted average number of multiple and subordinate voting shares outstanding	**16,368,545**	16,566,422	**16,389,650**	16,648,843
Effect of dilutive incentive share units	**61,534**	50,263	**58,798**	52,611
Effect of dilutive performance share units	**72,018**	60,671	**70,109**	55,319
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,502,097**	16,677,356	**16,518,557**	16,756,773
Earnings per share				
Basic	**1.53**	1.81	**6.13**	5.21
Diluted	**1.51**	1.80	**6.08**	5.17

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

9. LONG-TERM DEBT

	Maturity	Interest rate		May 31, 2018	August 31, 2017
		%		$	$
Corporation					
Term Revolving Facility (1)					
Revolving loan	February 2023	2.90	(5)	5,987	—
Unsecured Debentures	November 2021	6.50		34,850	34,822
Finance lease	February 2022	4.27		86	101
Subsidiaries					
Term Revolving Facility (2)					
Canadian Revolving Facility					
Revolving loan	January 2023	3.90	(5)	30,000	—
Revolving loan – US$307 million (3)	January 2023	3.40	(5)	397,504	—
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		32,269	31,229
Series B - US$150 million	September 2026	4.29		193,555	187,325
Senior Secured Notes Series B	October 2018	7.60		54,976	54,922
Senior Secured Notes - US$215 million	June 2025	4.30		277,380	268,432
Senior Secured Debentures Series 2	November 2020	5.15		199,496	199,354
Senior Secured Debentures Series 3	February 2022	4.93		199,206	199,061
Senior Secured Debentures Series 4	May 2023	4.18		298,306	298,078
Senior Unsecured Debenture	—	—		—	99,979
Senior Unsecured Notes – US$400 million (3)	—	—		—	498,141
First Lien Credit Facilities (4)					
Senior Secured Term Loan B Facility - US$1.7 billion	January 2025	4.36	(5) (6)	2,153,757	—
Senior Secured Revolving Facility - US$10.4 million	January 2023	4.36	(5)	13,466	—
Term Loan A-2 Facility – US$94.4 million at August 31, 2017	—	—		—	117,397
Term Loan A-3 Facility - US$118.4 million at August 31, 2017	—	—		—	147,073
Term Loan B Facility – US$355.4 million at August 31, 2017	—	—		—	439,088
Revolving Facility – US$29 million at August 31, 2017	—	—		—	36,354
				3,890,838	2,611,356
Less current portion				77,009	131,935
				3,813,829	2,479,421

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

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

(3) In May 2018, Cogeco Communications proceeded to the early reimbursement of its US$400 million Senior Unsecured Notes and drew a US$307 million revolving loan under its Term Revolving Facility.

(4) On January 4, 2018, in connection with the financing of the MetroCast acquisition, a new $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries, whereby $733 million (US$583 million) was used to reimburse the pre-existing Term Loan A-2, A-3, B and Revolving Facility. The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable margin. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year defined below. The first payment will be based on excess cash flows generated in fiscal year 2019.

(i) 50% if Atlantic Broadband's ratio of net senior secured indebtedness / adjusted EBITDA ("Leverage Ratio") is greater than or equal to 5.1 to 1.0;
(ii) 25% if Atlantic Broadband's Leverage Ratio is greater than or equal to 4.6 to 1.0 but less than 5.1 to 1.0; and
(iii) 0% if Atlantic Broadband's Leverage Ratio is less than 4.6 to 1.0.

The First Lien Credit Facilities are non-recourse to the Corporation, its Canadian subsidiaries and certain of its subsidiaries outside of Canada and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband, its subsidiaries and certain of its affiliates. The provisions under the facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness and investments, distributions and maintenance of certain financial ratios.

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

(6) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.175 billion of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate into fixed rates ranging from 0.987% to 2.262% for maturities between July 31, 2019 and November 30, 2024, under the Senior Secured Term Loan B Facility.Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.41%.

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

10. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

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

Multiple voting shares, 20 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	May 31, 2018	August 31, 2017
	$	$
1,812,860 multiple voting shares (1,842,860 at August 31, 2017)	12	12
14,677,945 subordinate voting shares (14,750,245 at August 31, 2017)	119,199	120,031
	119,211	120,043
61,375 subordinate voting shares held in trust under the Incentive Share Unit Plan (50,178 at August 31, 2017)	(4,237)	(2,590)
72,359 subordinate voting shares held in trust under the Performance Share Unit Plan (61,386 at August 31, 2017)	(5,295)	(3,432)
	109,679	114,021

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

	Number of shares	Amount
		$
Balance at August 31, 2017	1,842,860	12
Conversion of multiple voting shares into subordinate voting shares	(30,000)	—
Balance at May 31, 2018	1,812,860	12

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

	Number of shares	Amount
		$
Balance at August 31, 2017	14,750,245	120,031
Purchase and cancellation of subordinate voting shares (1)	(102,300)	(832)
Conversion of multiple voting shares into subordinate voting shares	30,000	—
Balance at May 31, 2018	14,677,945	119,199

(1) During the first nine months of fiscal 2018, Cogeco purchased and canceled 102,300 subordinate voting shares with an average stated value of $0.8 million, for consideration of $8.2 million. The excess of the purchase price over the average stated value of the shares totaled $7.3 million and was charged to retained earnings.

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

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

	Number of shares	Amount
		$
Balance at August 31, 2017	50,178	2,590
Subordinate voting shares acquired	26,175	2,426
Subordinate voting shares distributed to employees	(14,978)	(779)
Balance at May 31, 2018	61,375	4,237

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

	Number of shares	Amount
		$
Balance at August 31, 2017	61,386	3,432
Subordinate voting shares acquired	33,979	3,149
Subordinate voting shares distributed to employees	(23,006)	(1,286)
Balance at May 31, 2018	72,359	5,295

C) DIVIDENDS

For the nine-month period ended May 31, 2018, quarterly eligible dividends of $0.39 per share, for a total of $1.17 per share, were paid to the holders of multiple and subordinate voting shares, totaling $19.2 million, compared to quarterly eligible dividends of $0.34 per share, for a total of $1.02 per share or $17.0 million for the nine-month period ended May 31, 2017.

For the nine-month period ended May 31, 2018, quarterly eligible dividends of $0.475 per share, for a total of $1.43 per share, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interests, totaling $47.9 million, compared to quarterly eligible dividends of $0.43 per share, for a total of $1.29 per share or $43.2 million for the nine-month period ended May 31, 2017.

	Nine months ended May 31,	
	2018	2017
	$	$
Attributable to the owners of the Corporation		
Dividends on multiple voting shares	2,133	1,880
Dividends on subordinate voting shares	17,042	15,103
	19,175	16,983
Attributable to non-controlling interest		
Dividends on subordinate voting shares	47,917	43,241

At its July 11, 2018 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.39 per share for multiple and subordinate voting shares, payable on August 8, 2018 to shareholders of record on July 25, 2018.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Communications, offer Employee Stock Purchase Plans for the benefit of their employees and those of their subsidiaries, and Stock Option Plans for their executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation and its subsidiary, Cogeco Communications, offer Incentive Share Unit Plans ("ISU Plans") and Performance Share Unit Plans ("PSU Plans") for their executive officers and designated employees, and Deferred Share Unit Plans ("DSU Plans") for members of the Board of Directors. A detailed description of these plans can be found in the 2017 annual consolidated financial statements of the Corporation.

For the nine-month period ended May 31, 2018, no stock options were granted to employees by Cogeco under the Stock Option Plan of the Corporation and no options were outstanding at May 31, 2018 and August 31, 2017.

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

Under the Stock Option Plan of Cogeco Communications, the following options were granted and are outstanding at May 31, 2018:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2017	652,385	56.61
Granted (1)	281,350	85.08
Exercised (2)	(58,317)	58.10
Cancelled	(54,005)	72.28
Outstanding at May 31, 2018	821,413	65.23
Exercisable at May 31, 2018	278,508	49.72

(1) During the nine-month period ended May 31, 2018, Cogeco Communications granted 126,425 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 $83.93.

A compensation expense of $474,000 and $1,225,000 ($334,000 and $892,000 in 2017) was recorded for the three and nine-month periods ended May 31, 2018 related to this plan.

The weighted average fair value of stock options granted by Cogeco Communications for the nine-month period ended May 31, 2018 was $13.37 ($8.96 in 2017) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

	2018	2017
	%	%
Expected dividend yield	2.24	2.52
Expected volatility	20.12	21.28
Risk-free interest rate	1.65	0.81
Expected life (in years)	6.0	6.1

Under the ISU Plan of the Corporation, the following ISUs were granted and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	50,178
Granted	26,500
Distributed	(14,978)
Outstanding at May 31, 2018	61,700

Under the ISU Plan of Cogeco Communications, the following ISUs were granted and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	101,538
Granted (1)	47,900
Distributed	(35,291)
Cancelled	(7,553)
Outstanding at May 31, 2018	106,594

(1) During the nine-month period ended May 31, 2018, Cogeco Communications did not grant any ISUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $988,000 and $2,744,000 ($747,000 and $2,198,000 in 2017) was recorded for the three and nine-month periods ended May 31, 2018 related to these plans.

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

Under the PSU Plan of the Corporation, the following PSUs were granted and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	61,142
Granted	29,075
Performance-based additional units granted	4,196
Distributed	(23,006)
Dividend equivalents	1,107
Outstanding at May 31, 2018	72,514

Under the PSU Plan of Cogeco Communications, the following PSUs were granted and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	115,207
Granted (1)	65,525
Performance-based additional units granted	2,639
Distributed	(41,441)
Cancelled	(12,184)
Dividend equivalents	2,538
Outstanding at May 31, 2018	132,284

(1) During the nine-month period ended May 31, 2018, Cogeco Communications granted 19,025 PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $1,222,000 and $3,661,000 ($791,000 and $1,924,000 in 2017) was recorded for the three and nine-month periods ended May 31, 2018 related to these plans.

Under the DSU Plan of the Corporation, the following DSUs were issued and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	60,374
Issued	3,797
Redeemed	(23,328)
Dividend equivalents	715
Outstanding at May 31, 2018	41,558

Under the DSU Plan of Cogeco Communications, the following DSUs were issued and are outstanding at May 31, 2018:

Outstanding at August 31, 2017	40,446
Issued	6,662
Redeemed	(5,549)
Dividend equivalents	761
Outstanding at May 31, 2018	42,320

A compensation expense reduction of $187,000 and $185,000 (compensation expense of $827,000 and $2,255,000 in 2017) was recorded for the three and nine-month periods ended May 31, 2018 related to these plans.

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

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2016	(47)	27,156	27,109
Other comprehensive income	346	1,497	1,843
Balance at May 31, 2017	299	28,653	28,952
Balance at August 31, 2017	**130**	**24,445**	**24,575**
Other comprehensive income	**7,486**	**3,370**	**10,856**
Balance at May 31, 2018	**7,616**	**27,815**	**35,431**

12. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Trade and other receivables	**2,788**	8,463	**(1,478)**	10,723
Prepaid expenses and other	**826**	(687)	**(12,115)**	(7,783)
Trade and other payables	**(18,885)**	14,672	**(92,197)**	(58,408)
Provisions	**3,321**	(9,179)	**3,910**	(7,394)
Deferred and prepaid revenue and other liabilities	**(16,548)**	12,834	**(10,594)**	14,440
	(28,498)	26,103	**(112,474)**	(48,422)

B) CASH AND CASH EQUIVALENTS

	May 31, 2018	August 31, 2017
	$	$
Cash	**47,521**	163,320
Cash equivalents (1)	**16,038**	48,963
	63,559	212,283

(1) At May 31, 2018, comprised of a certificate of deposit bearing interest at 1.7% with a maturity date of June 4th, 2018. At August 31, 2017, comprised of banker's acceptances and a certificate of deposit, bearing interest between 1.12% to 1.30% and with maturity dates ranging from September 21st to October 19th, 2017.

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

13. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**743**	1,002	**2,293**	2,975
Administrative expense	**93**	82	**279**	277
Recognized in financial expense (other)				
Net interest	**3**	92	**21**	276
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,898**	2,415	**8,336**	7,621
	3,737	3,591	**10,929**	11,149

14. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

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

Liquidity risk

At May 31, 2018, the Corporation had used $6 million of its $50 million Term Revolving Facility and an amount of $441.4 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $44 million and $358.6 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $194.2 million (US$150 million), of which $16.2 million (US$12.5 million) was used at May 31, 2018 for a remaining availability of $178 million (US$137.5 million).

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risk on their floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At May 31, 2018, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at May 31, 2018:

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

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $11.3 million based on the outstanding debt at May 31, 2018.

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

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $13.3 million based on the outstanding debt at May 31, 2018.

The Corporation faces exposure to foreign exchange risk related to its forecasted purchase commitments of property, plant and equipment denominated in US dollars. In order to mitigate such risk, the Corporation entered into foreign currency forward contracts and designated them as a cash-flow hedge for accounting purposes. The following table shows the forward contracts outstanding at May 31, 2018:

Type of hedge	Notional amount	Maturity	Exchange rate	Hedged item
Cash flow	US$7.5 million	June 2018	1.2848	Purchase commitments of property, plant and equipment

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

The following table shows the net investments in foreign operations outstanding at May 31, 2018:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$697 million	US$957.5 million	Net investments in foreign operations in US dollar
N/A	£—	£25.5 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 May 31, 2018 was $1.2948 ($1.2536 at August 31, 2017) per US dollar and $1.7222 ($1.6161 at August 31, 2017) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $38.1 million.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	May 31, 2018		August 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	3,890,838	3,978,377	2,611,356	2,722,629

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

C) CAPITAL MANAGEMENT

At May 31, 2018 and August 31, 2017, the Corporation and Cogeco Communications were in compliance with all of their debt covenants and were not subject to any other externally imposed capital requirements.

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

	May 31, 2018	August 31, 2017
Net secured indebtedness (1) / adjusted EBITDA (2)	3.6	1.7
Net indebtedness (3) / adjusted EBITDA (2)	3.6	2.3
Adjusted EBITDA (2) / financial expense (2)	6.1	7.6

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended May 31, 2018, which include five months of Metrocast operations, and August 31, 2017.

(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 and short-term investments.

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

	May 31, 2018	August 31, 2017
Net secured indebtedness (1) / adjusted EBITDA (2)	3.7	1.7
Net indebtedness (3) / adjusted EBITDA (2)	3.7	2.3
Adjusted EBITDA (2) / financial expense (2)	6.2	7.8

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

(2) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended May 31, 2018, which include five months of Metrocast operations, and August 31, 2017.

(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 and short-term investments.

15. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and other services to Cogeco Communications under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.75% of the consolidated revenue of Cogeco Communications. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement. Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. As contemplated by this provision and following the MetroCast acquisition completed on January 4, 2018, the management fees payable on a monthly basis charged to Cogeco Communications were reviewed and reduced from 0.85% to 0.75% of the consolidated revenue of Cogeco Communications, effective on January 4, 2018. For the three and nine-month periods ended May 31, 2018, management fees paid to Cogeco amounted to $4.3 million and $14.2 million, respectively, compared to $4.8 million and $14.3 million for the same periods of fiscal 2017.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during the nine-month period ended May 31, 2018, Cogeco Communications granted 126,425 (81,350 in 2017) stock options, did not grant any ISUs (nil in 2017) and granted 19,025 (12,150 in 2017) PSUs to these executive officers as executive officers of Cogeco Communications. During the three and nine-month periods ended May 31, 2018, Cogeco Communications charged Cogeco $240,000 and $635,000 ($163,000 and $465,000 in 2017), nil and $1,000 ($2,000 and $37,000 in 2017) and $254,000 and $736,000 ($177,000 and $483,000 in 2017), respectively, with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

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

16. COMMITMENTS

Purchase of a fibre network and corresponding assets

On December 30, 2017, Cogeco Communication's subsidiary, Atlantic Broadband, signed an Asset Purchase Agreement ("APA") with FiberLight, LLC to acquire all of its fibre network and corresponding assets owned on the East Coast of south Florida for a consideration of US$34 million, which is subject to regulatory approvals and customary closing adjustments.

Acquisition of 10 regional radio stations

In April 2018, Cogeco Media announced the conclusion of an agreement to acquire 10 regional radio stations (9 located in Québec and 1 in Ontario) owned by RNC Média inc. The transaction, valued at $18.5 million, is subject to customary closing adjustments, regulatory approvals and usual closing conditions.

Spectrum licenses

In May 2018, Cogeco Communications announced that its subsidiary, Cogeco Connexion, was the successful bidder on 23 Spectrum licenses of 2500 MHz and 2300 MHz, primarily in its Ontario and Québec wireline footprints, in the auction for residual Spectrum licenses organized by Innovation, Science & Economic Development ("ISED") Canada for a total price of $24.3 million.

In June 2018, Cogeco Connexion also announced that it acquired 10 Spectrum licenses of 2500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for a consideration of $8 million. The transfer was approved by ISED Canada on June 21, 2018.

Both transactions were completed in June 2018 and the cost of these Spectrum licenses will be recorded in the fourth quarter of fiscal 2018.

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017	May 31, 2017
CONSOLIDATED					
Primary service units[1]	**2,782,705**	**2,788,268**	**2,532,964**	2,533,903	2,539,566
Internet service customers	**1,207,262**	**1,199,201**	**1,054,346**	1,042,996	1,034,686
Video service customers	**1,019,852**	**1,029,901**	**948,778**	956,775	967,020
Telephony service customers[1]	**555,591**	**559,166**	**529,840**	534,132	537,860
CANADA					
Primary service units[1]	**1,901,037**	**1,914,178**	**1,919,939**	1,921,068	1,930,037
Internet service customers	**787,007**	**786,314**	**779,434**	769,869	764,350
Penetration as a percentage of homes passed	**45.0%**	**45.1%**	**44.9%**	44.5%	44.3%
Video service customers	**699,554**	**708,584**	**715,604**	720,636	729,701
Penetration as a percentage of homes passed	**40.0%**	**40.7%**	**41.2%**	41.6%	42.3%
Telephony service customers[1]	**414,476**	**419,280**	**424,901**	430,563	435,986
Penetration as a percentage of homes passed[1]	**23.7%**	**24.1%**	**24.5%**	24.9%	25.3%
UNITED STATES					
Primary service units[1]	**881,668**	**874,090**	**613,025**	612,835	609,529
Internet service customers	**420,255**	**412,887**	**274,912**	273,127	270,336
Penetration as a percentage of homes passed	**51.1%**	**49.5%**	**46.2%**	45.9%	45.7%
Video service customers	**320,298**	**321,317**	**233,174**	236,139	237,319
Penetration as a percentage of homes passed	**38.9%**	**38.5%**	**39.2%**	39.7%	40.1%
Telephony service customers[1]	**141,115**	**139,886**	**104,939**	103,569	101,874
Penetration as a percentage of homes passed[1]	**17.2%**	**16.8%**	**17.6%**	17.4%	17.2%

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