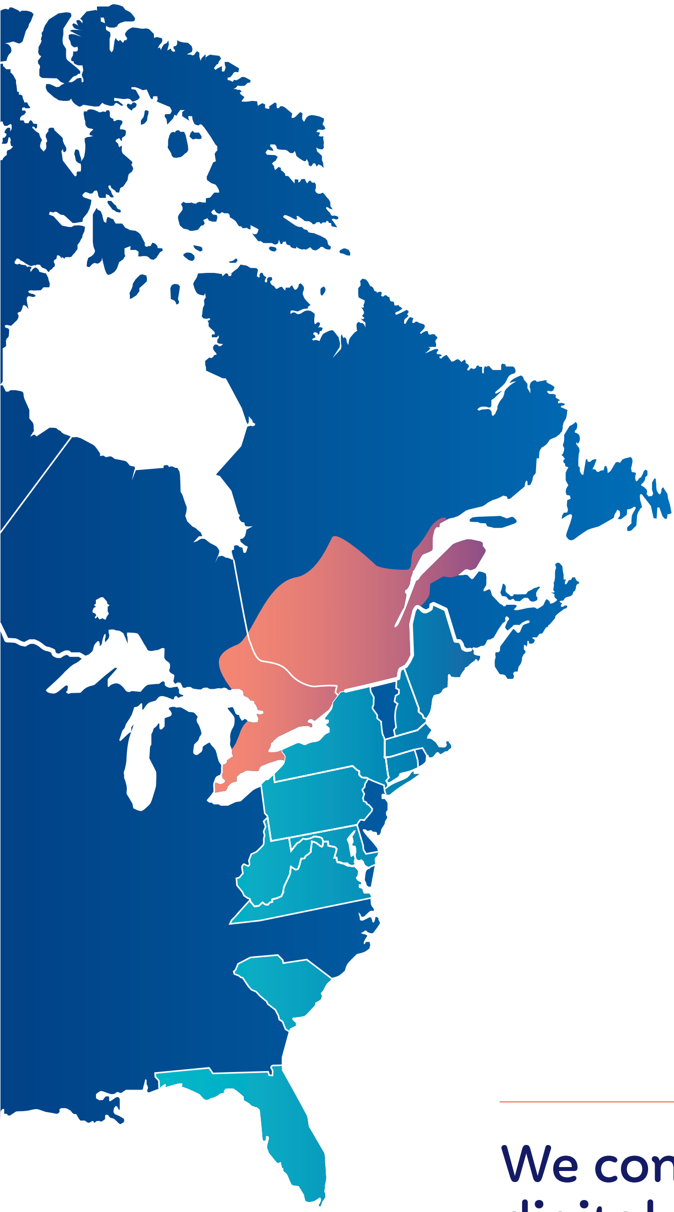
A world of your very own

2019
ANNUAL REPORT

Profile

Cogeco Inc. is a diversified holding corporation which operates in the communications and media sectors. Its Cogeco Communications Inc. subsidiary provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks, operating in Québec and Ontario, Canada, under the Cogeco Connexion name, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida). Its Cogeco Media subsidiary owns and operates 23 radio stations with complementary radio formats and extensive coverage serving a wide range of audiences mainly across the province of Québec, as well as Cogeco News, a news agency. Cogeco's subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CGO). The subordinate voting shares of Cogeco Communications Inc. are also listed on the Toronto Stock Exchange (TSX: CCA).

Cogeco is...



4,500 employees bringing state-of-the-art communications and media services, with a commitment to providing customers with unparalleled service.

committed to continued growth and success based on solid financial management and an acquisition strategy that is at once bold and rigorous.

very well positioned for the future, with a commitment to innovation and to being at the forefront of the rapidly changing communications landscape.

committed to contributing to the social, economic and cultural development of the communities it serves through focused initiatives that reflect the particular needs of these communities.

We connect our customers to the digital world and create outstanding communication experiences

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2019
Financial Performance

+8%

REVENUE
(in thousands of Canadian dollars)

2019	2,444,062
2018[2]	2,262,030

+9.4%

ADJUSTED EBITDA[1]
(in thousands of Canadian dollars)

2019	1,131,980
2018[2]	1,035,110

+18.1%

PROFIT FOR THE YEAR
(in thousands of Canadian dollars)

2019	443,545
2018[2]	375,569

+46.5%

FREE CASH FLOW[1]
(in thousands of Canadian dollars)

2019	469,155
2018[2]	320,147

1 The indicated terms do not have standardized definitions prescribed by 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 Management's discussion and analysis ("MD&A").

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

Financial Highlights

YEARS ENDED AUGUST 31 (in thousands of Canadian dollars, except percentages and per share data)	2019 $	2018[1] $	Change %	Change in constant currency[2] %	Foreign exchange impact[2] $
OPERATIONS					
Revenue	**2,444,062**	2,262,030	8.0	6.4	37,433
Adjusted EBITDA	**1,131,980**	1,035,110	9.4	7.8	15,797
Integration, restructuring and acquisition costs[3]	**12,851**	20,463	(37.2)		
Profit for the year from continuing operations	**368,165**	399,950	(7.9)		
Profit (loss) for the year from discontinued operations	**75,380**	(24,381)	—		
Profit for the year	**443,545**	375,569	18.1		
Profit for the year attributable to owners of the Corporation	**143,163**	126,437	13.2		
CASH FLOW FROM CONTINUING OPERATIONS					
Cash flow from operating activities	**890,077**	638,377	39.4		
Acquisitions of property, plant and equipment[4]	**439,055**	460,910	(4.7)	(6.8)	9,342
Free cash flow	**469,155**	320,147	46.5	46.1	1,330
FINANCIAL CONDITION					
Cash and cash equivalents	**559,393**	86,352	—		
Total assets	**7,125,037**	7,335,547	(2.9)		
Indebtedness[5]	**3,514,185**	3,951,791	(11.1)		
Equity attributable to owners of the Corporation	**754,768**	710,908	6.2		
PER SHARE DATA[6]					
Earnings (loss) per share					
Basic					
From continuing operations	**7.38**	8.19	(9.9)		
From discontinued operations	**1.48**	(0.47)	—		
From continuing and discontinued operations	**8.86**	7.72	14.8		
Diluted					
From continuing operations	**7.32**	8.13	(10.0)		
From discontinued operations	**1.47**	(0.47)	—		
From continuing and discontinued operations	**8.79**	7.66	14.8		
Dividends	**1.72**	1.56	10.3		

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

2 Key performance indicators presented on a constant currency basis are obtained by translating financial results of the current period denominated in US dollars at the foreign exchange rate of the prior year. For the year ended August 31, 2018, the average foreign exchange rate used for translation was 1.2773 USD/CDN.

3 For the year ended August 31, 2019, integration, restructuring and acquisition costs were mostly due to restructuring costs incurred in the Canadian broadband services operations related to an operational optimization program during the first half of fiscal 2019. In addition, acquisition and integration costs were incurred by the American broadband services operations related to the FiberLight acquisition and by the Corporation subsidiary, Cogeco Media, for the acquisition of 10 regional radio stations on November 26, 2018. For the year ended August 31, 2018, integration, restructuring and acquisition costs were related to the MetroCast acquisition completed on January 4, 2018.

4 For the year ended August 31, 2019, acquisitions of property, plant and equipment in constant currency amounted to $429.7 million.

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

6 Per multiple and subordinate voting shares.

LOUIS AUDET

Message from the Executive Chairman

Fiscal 2019 was another landmark year at Cogeco Inc., ("Cogeco" or the "Corporation") and for me personally, as I completed my first year as Executive Chair of the Board of Directors. Under the leadership of Cogeco's new President and Chief Executive Officer, Philippe Jetté, our Cogeco Communications subsidiary boldly asserted its willingness to focus on its primary business through the sale of Cogeco Peer 1. In Canada, we continued to explore a diligent entry into the wireless market and announced our intention to invest more than $1 billion over the next four years in the operation and expansion of our hybrid fibre coaxial cable network, partly to support underserved and unserved communities. In our US market, we expanded our presence in Florida, a strategic growth market, after completing the acquisition of Florida's FiberLight LLC while continuing to expand and enhance product and service offerings in our 11-state footprint. Meanwhile, our Cogeco Media subsidiary welcomed new stations and new team mates as we completed the integration of the 10 radio stations acquired from RNC Média.

At Cogeco, our fundamental goal is to help connect people, businesses and institutions to the world via our advanced broadband networks and services as well as through our 23 radio stations which reach 5.4 million listeners. We serve more than 1,200 communities across Canada and the US, invest over $439.1 million in capital annually in our Canadian and US markets, provide more than 4,500 stable and well-paid jobs, high-quality customer services with fast Internet connections, and have strong relationships with municipalities in our network footprint.

The Corporation delivered value to shareholders by striving to create exceptional customer experiences, building on our geographical reach in Canada and in the US, expanding into new market segments and mobilizing highly engaged teams. Our organic financial performance was good despite increased market pressure. As Cogeco continues to build on its foundation to pursue transformational digital change, we remain mindful of the trust and support our shareholders, customers and employees have invested in us. In return, we have consistently delivered strong results for shareholders. Over the past 5 years, dividends paid per share have increased by 14.0% on a compounded annual basis, and the Corporation's market capitalization has approximately doubled over the last 6 years.

Cogeco has a longstanding commitment to high social responsibility standards, building on our track record of active engagement with our communities. In 2019, we proudly contributed over $13.7 million in cash and in-kind donations and sponsorships to several organizations in our communities and territories and offered air time for fundraising purposes. At the close of the fiscal year, we were honoured to sign, at the G7 in Biarritz, France, the Organisation for Economic Co-operation and Development's ("OECD") Business for Inclusive Growth pledge. Cogeco volunteered along with 33 other multinational organizations from around the world to seek effective ways to share more fairly the fruits of economic development.

With this annual report, we are proud to share with you Cogeco's new visual brand platform, which is centered on you, our shareholder, our customer, our employee, our fellow citizen. It is a reflection of who Cogeco is today: a modern, innovative, dynamic, accessible Corporation, that has always been close to its customers and communities.

I would like to congratulate Philippe Jetté on a remarkable first year in his new position. Through his visionary leadership, Cogeco closed the fiscal year solidly, continuing on its growth curve. I would also like to thank the members of Cogeco's Board of Directors who showed great openness and support, and shared their wisdom with me and the Corporation's executive leadership team throughout the year. I am always proud to see our organization's corporate governance recognized, year after year, amongst the top tier of family-controlled dual-class companies listed on a Canadian stock exchange in the Globe and Mail's annual Board Games publication.

My fellow shareholders, I look forward to overseeing Cogeco through another year of exciting innovation and growth. All together, employees, senior leadership and members of the Board of Directors, we will continue to focus on creating value, maintaining a leadership position in our markets and providing excellent experiences for our customers and employees alike.

LOUIS AUDET
Executive Chairman of the Board

Cogeco's executive leadership **team**

From left to right: **CHRISTIAN JOLIVET,** Senior Vice President, Corporate Affairs and Chief Legal Officer and Secretary • **MARIE-HÉLÈNE LABRIE,** Senior Vice President and Chief Public Affairs and Communications Officer • **LUC NOISEUX,** Senior Vice President and Chief Technology and Strategy Officer • **PHILIPPE JETTÉ,** President and Chief Executive Officer • **DIANE NYISZTOR,** Senior Vice President and Chief Human Resources Officer • **MICHEL LORRAIN,** President, Cogeco Media • **PATRICE OUIMET,** Senior Vice President and Chief Financial Officer.

Message from the **President & CEO**

In many ways, fiscal 2019 marked a new beginning for the Corporation as we initiated significant change and transformation. With an updated leadership team in place at the start of the fiscal year and under the constant guidance of our Board of Directors, we refined our strategic vision and mission, supported by core strategic priorities.

Consolidated revenue increased by 8.0% in fiscal 2019 to reach $2.44 billion, while adjusted EBITDA reached $1.13 billion, up by 9.4%. Profit for the year reached $443.5 million and the Corporation generated free cash flow of $469.2 million. Dividends paid to our shareholders increased by 10.3% to $1.72 per share.

We took on a number of transformational projects in fiscal 2019. At Cogeco Communications, the sale of Cogeco Peer 1 in the spring allowed the subsidiary to refocus its resources on our Canadian and American broadband services operations, and has provided the business with greater flexibility to pursue organic investment and acquisition opportunities. This was evidenced by Cogeco Communications' commitment to invest more than $1 billion in our Québec and Ontario networks over the next four years where we are working closely with municipalities and towns to extend and enhance our network so that we can deliver high-speed connectivity to as many residents, businesses and institutions as possible. At Cogeco Media, we continued to innovate and fine-tune our offering to respond to the realities of the market and the evolving needs of our listeners.

In fiscal 2019, we also continued exploring various business models and proactively proposed a new hybrid mobile network operator model to policy makers as part of government consultations in Canada that would allow us to launch a profitable wireless service. We opted not to participate in the auction process for licenses that took place in 2019 given that the structure of the auction, based on large geographic areas, would have made the acquisition of such spectrum uneconomical for the Corporation.

At an organizational level, we further developed our shared services teams internally, allowing our subsidiaries more time to focus on core activities such as sales, marketing and customer support ultimately allowing us to deliver an exceptional customer experience.

Cogeco. A world of your very own.

At Cogeco, our mission is to connect our customers to the digital world and create outstanding communication experiences. In fiscal 2019, we internalized a promise to ensure our customers' needs remain at the heart of all our actions and we approached our strategy and priorities with a renewed sense of commitment to them.

PHILIPPE JETTÉ

Our new tagline – Cogeco. A world of your very own. – was launched in early fiscal year 2020. It is centered on the customer, people, the human touch. It reinforces the notions that are at the heart of our mission: accessibility and proximity with our customers and communities. These are amongst our key differentiators in a crowded market. It also speaks to how our products and services can be personalised to match the needs of our customers.

COGECO COMMUNICATIONS INITIATIVES

Canadian broadband services

In fiscal 2019, at Cogeco Connexion, we focused on leveraging our superior Internet speeds and video services by continuing to expand our Gigabit offerings to reach approximately 60% coverage of our footprint. In addition, our evolution towards Internet protocol television ("IPTV"), which will provide highly customizable video content, wireless enabled equipment and more, is underway with pre-launch preparation. We continued concentrating on growing our business customer base in our footprint in Canada, expanding the availability of 360Mbps and Gigabit service to more locations.

As our teams focused on achieving best-in-class operating efficiencies, considerable effort was devoted to the stabilization of the new advanced customer management system at the end of fiscal year 2018 and the start of fiscal year 2019. Since then, teams have been leveraging the system's capabilities to offer excellent customer experiences and accelerate our digital transformation.

Recognizing that our employees are at the heart of our success, we constantly invest in developing our employees by improving our training, development programs and tools in order to ensure they are highly engaged in delivering on our customer promises. In fiscal 2019, we deployed a modern and engaging collaboration and communication platform to optimize people performance and productivity while putting in place renewed health and safety programs to provide a safe working environment.

American broadband services

Atlantic Broadband continues to work to deliver an exceptional customer experience throughout the customer lifespan with a focus on new self-serve options. In fiscal 2019, we introduced a range of customer care enhancements throughout the year to improve efficiency and productivity for the Corporation, while producing an enhanced experience for customers. Through this, we made employee engagement a key priority through a number of recognition, communication and training activities that help create team members who are invested in the Corporation and the communities they serve.

In fiscal 2019, we continued to focus on delivering market-leading Internet service speed offerings and advanced video services with an emphasis on performance and reliability. We extended our market advantage in the high-speed Internet segment by increasing top download and upload speeds for our modem-based Internet products for both residential and business customers and by expanding our deployment of Gigabit Internet to over 90% of our footprint. We also introduced major video enhancements through our TiVo® platform, providing greater ease-of-use for customers and through the expansion of voice control of our TiVo® Experience 4 platform and the launch of Amazon Alexa functionality, the launch of a new mobile app for multi-screen viewing and the migration to IP Video On Demand ("VOD").

We also generated strong customer growth at Atlantic Broadband and in the recently acquired MetroCast markets in both the residential and business segments. Programs were targeted to retain high-value residential customers and an aggressive effort was undertaken to move more business customers into long-term contracts. In addition, strong acquisition initiatives were deployed to drive new connection activity among non-customers in competitive markets.

COGECO MEDIA INITIATIVES

Near the end of 2018, our radio subsidiary completed the acquisition of 10 radio stations from RNC Média, increasing our network of stations to 22 across the province of Québec and one in Ontario. These stations, which are already well established in their communities, enrich our radio offering for both listeners and broadcasters. Since the acquisition, many of these stations have undergone a rebranding process to integrate them into the larger Cogeco offering.

Despite the challenges presented by the advertising market for some time, the Cogeco Media team has worked hard to ensure ratings remain strong. In Montréal, *98,5 fm* has remained the top talk-radio station in its timeslot according to the Numeris ratings. Recently, many stations have enriched their programming, adding acclaimed hosts to their current roster of prominent talent.

As we aim to modernize our offering and continue to increase our presence in the digital world, the Cogeco Media team launched its new application, providing listeners with access to its top-rated content from anywhere and at any time.

Corporate Social Responsibility

We have strengthened our corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. To support the achievement of our CSR goals, we have developed key performance indicators for environmental, social and governance objectives. During fiscal 2019, key initiatives of the CSR program were rolled-out to our business units, namely Atlantic Broadband and Cogeco Connexion.

Amongst our CSR highlights reported in 2019, we have reduced our GHG emissions on a per revenue basis by 40% over the past five years and have diverted 163,095 kilos of electronic waste from landfills. Cogeco partnered with Computers for Success Canada by donating used electronic devices, in support of the program's intent to deliver improved access to technology for Canadians at risk of digital exclusion. We also participated in the Connected for Success program, through which we offer affordable Internet to more than 475 low income families in Québec and Ontario. Once again, Cogeco Communications was named to Corporate Knights' 2019 Best 50 Corporate Citizens in Canada.

Core Strategic **Priorities**

Deliver an exceptional customer experience through continuous innovation of our service offering.

Grow our footprint and obtain our fair share of market in current segments.

Optimize our cost structure and operational effectiveness by exploiting group synergies facilitated through a highly collaborative culture.

Leverage our leadership and digital technologies in client relationship management.

Continue building a strong brand.

Deliver an exceptional employee experience.

Message from the President & CEO (continued)

Fiscal 2020 outlook

Building on our fiscal 2019 results, we are well positioned for continued growth and success. On a constant currency basis, the Corporation expects fiscal 2020 revenue to grow between 2% and 4%, adjusted EBITDA between 2.5% and 4.5%, acquisitions of property, plant and equipment should reach between $465 million and $485 million and free cash flow is expected to grow between 5% and 11%.

Concluding remarks

As we look forward to taking on the challenges and opportunities that a new fiscal year will bring, I am honoured to have the support of a talented team of over 4,500 employees, who embody Cogeco's values of innovation, commitment to customer service, teamwork, trust, and respect. I would like to thank Louis Audet and the members of the Board of Directors for the guidance and wisdom they shared throughout my first year as President and Chief Executive Officer. I would also like to take this opportunity to recognize the collaboration, encouragement and loyalty I have received from Cogeco's executive leadership team. Working together as one team, we can achieve our business goals to continue being a leader in the communications industry while ensuring we recognize and respond to the needs of our customers, the communities we serve and our colleagues.

PHILIPPE JETTÉ
President and Chief Executive Officer

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

MD&A

1. FORWARD-LOOKING STATEMENTS

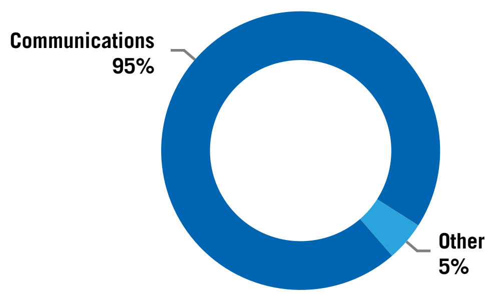
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2020 Financial Guidelines" sections of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the 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 consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2019.

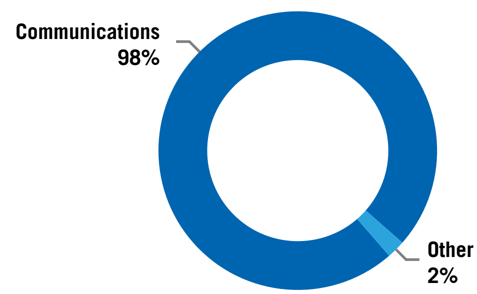
2. OVERVIEW OF THE BUSINESS

Cogeco is a diversified holding corporation which operates in the communications and media sectors. In fiscal 2019, the Corporation reported its operating results 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. For the year ended August 31, 2019, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA(1) were as follows:

Fiscal 2019 revenue by operating segments



Fiscal 2019 adjusted EBITDA by operating segments



2.1 COMMUNICATIONS SEGMENT

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, Cogeco provides a wide range of Internet, video and telephony services through its two-way broadband fibre networks in Canada and the United States, primarily to residential customers, as well as to small and medium sized businesses across its coverage area. Cogeco Communications operates in Canada under the Cogeco Connexion name in Québec and Ontario, and along the East Coast of the United States under the Atlantic Broadband brand (in 11 states from Maine to Florida).

2.2 OTHER

Through its subsidiary, Cogeco Media Inc. ("Cogeco Media"), Cogeco owns and operates 22 radio stations across Québec and one station in Ontario including talk network stations 98.5 in Montréal, 106.9 in Mauricie, 107.7 in Estrie and 104.7 in Outaouais; Rhythme FM network stations in Montréal, Mauricie and Estrie; the stations of the Planète network in Saguenay-Lac-St-Jean, of the Capitale Rock and Wow network in Abitibi-Témiscamingue, and of the Pop network in Lachute and in Hawkesbury (Ontario). Cogeco Media owns CIME stations in the Laurentians, CKOI, The Beat and Radio Circulation in Montréal, as well as FM 93 and M102.9 in Québec City. Cogeco Media also owns Cogeco Nouvelles, the largest private radio agency in Québec.

2.3 COMMUNICATIONS SEGMENT NETWORKS AND INFRASTRUCTURE

BROADBAND OPERATIONS

Cogeco Connexion and Atlantic Broadband provide residential Internet, video and telephony services and business services through advanced fibre optic and two-way broadband distribution networks. Cogeco Connexion and Atlantic Broadband deliver these services through their own long distance fibre optic systems, advanced hybrid fibre-coaxial ("HFC") broadband distribution networks, point-to-point fibre networks and fibre-to-the-home ("FTTH") network technologies.

Cogeco Connexion's distribution network covers a large territory from the Western Ontario to the Eastern Québec. Atlantic Broadband's distribution network covers the East Coast of the United States, from the southern part of Maine to southern Virginia, as well as portions of South Carolina and a large footprint in Southeast Florida. The broad reach of Cogeco Connexion and Atlantic Broadband's core transport network is designed to easily interconnect, at very high speed, its many local distribution systems to video content providers, other public telephony networks, software application providers and the world-wide Internet.

For residential services, Cogeco Connexion and Atlantic Broadband are deploying optical fibres to nodes serving small clusters of homes passed, with multiple fibres per node in most cases to rapidly extend the capacity of the system with smaller clusters when necessary. This "just in time" process, known as "node splitting", leads to further improvement in quality and reliability while increasing the "just in time" capacity of two-way services such as Internet, video-on-demand ("VOD") and telephony and optimizing the efficiency of capital investments. The HFC distribution infrastructure is designed with radio frequency ("RF") capacity of up to 1 GHz of bandwidth capacity, depending on the market served and customer needs.

(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.

In each market, the signals are carried on our hybrid coax/fibre network for delivery to our customers. Cogeco Connexion and Atlantic Broadband believe that the active use of fibre optic technology in combination with coaxial cable plays a major role in expanding capacity and improving the performance of the systems. Fibre optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without signal amplification. Cogeco Connexion and Atlantic Broadband will continue to deploy fibre optic cable as warranted to further reduce amplifier cascades, which improves system reliability and reduces system maintenance cost. This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

Cogeco Connexion and Atlantic Broadband use CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure a continuous transmission and high quality of service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Cogeco Connexion offers Internet speeds of 120 Mbps in virtually all of its footprint and up to 1 Gbps in approximately 60% of its footprint. Atlantic Broadband has upgraded to 1 Gbps Internet speeds to more than 90% of its footprint of serviceable homes and business. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective.

Finally, Cogeco Connexion and Atlantic Broadband are deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Connexion and Atlantic Broadband use a FTTH technology called radio frequency over glass ("RFoG"). The primary benefit of RFoG is its compatibility backward and forward with existing cable modem termination system ("CMTS") investments and back-office systems.

The following table shows the percentage of Cogeco Connexions' and Atlantic Broadband's homes passed where digital video, VOD, Internet and telephony services were available at August 31, 2019:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital video	99%	100%
VOD	98%	99%
Internet (DOCSIS 3.0)	98%	100%
Telephony	97%	100%

2.4 BUSINESS DEVELOPMENTS

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

On April 30, 2019, Cogeco Communications completed the sale of its subsidiary Cogeco Peer 1 Inc., its Business information and communications technology ("Business ICT") services subsidiary, to affiliates of Digital Colony for a net cash consideration of $720 million which resulted in a gain on disposal of $84.4 million. Operating and financial results as well as cash flows from Cogeco Peer 1 from both the current and comparable periods are therefore presented as discontinued operations.

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

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

On December 3, 2018, the Corporation increased its Term Revolving Facility to $100 million and extended the maturity date by an additional year until February 1, 2024.

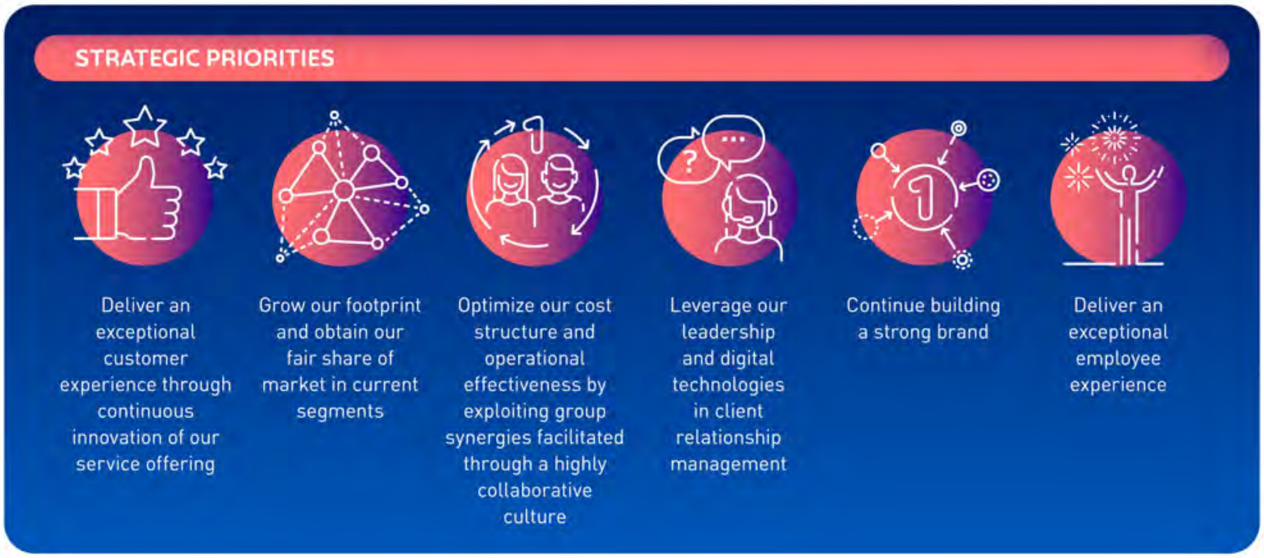
On November 26, 2018, the Corporation's subsidiary, Cogeco Media, completed the acquisition of 10 regional radio stations from RNC Média inc. (the "RNC Média acquisition") which expanded its network of radio stations to 22 across the province of Québec and 1 in Ontario. The transaction, valued at $19.2 million, is subject to closing adjustments.

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

2.5 CORPORATE OBJECTIVES AND STRATEGIES

Cogeco's mission is to connect its customers to the digital world and create outstanding communication experiences. This mission is enabled by our core fundamental values of respect, trust, commitment to customer services, teamwork and innovation.

Our vision is to deliver value to our shareholders by: 1) creating exceptional customer experience, 2) augmenting our geographic reach in Canada and the United States, 3) expanding into new market segments, and 4) mobilizing highly engaged teams. The Corporation has defined six key strategic priorities that embody the roadmap to achieving our mission and vision. These strategic priorities are as follows:



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. In addition to the following, the Corporation seeks to integrate practices which improve the environmental and social impacts of its operations, while ensuring the Corporation's continued development. This is why we have strengthened our corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably while being a model of good corporate citizen. The Corporation is committed to listening to its stakeholders, customers and employees and setting concrete CSR commitments accordingly, disclosing CSR information transparently and maintaining the highest ethical standards.

COMMUNICATIONS SEGMENT

To achieve these objectives, Cogeco Communications has developed the following strategies:

Canadian broadband services	American broadband services
Delivering organic growth by introducing value added services for residential customers and by growing our business customer base	Deliver exceptional customer experience while fostering team member engagement
Optimizing the return on investments by delivering our services more efficiently and improving loyalty through a differentiated customer experience strategy	Leveraging Internet superiority and advanced video platform to promote growth and customer satisfaction
Exploring a potential wireless service in a profitable manner and within our financial means	Focusing on growth in the business market and continuing Florida expansion efforts while actively pursuing acquisition opportunities
Enabling business transformation through modern people management practices that will provide meaningful and engaging employee experiences	Drive unit growth and customer satisfaction through product marketing and brand positioning

For further details on Cogeco Communications' strategies, please refer to the 2019 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

(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.

MEDIA ACTIVITIES

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

ANTICIPATED RESULTS OF THE CORPORATION'S STRATEGIES

Results from the successful implementation of the above-described strategies should increase revenue and adjusted EBITDA thus leading to heightened profitability and reduced Indebtedness that will be measured based on the criteria described in greater details in the "Fiscal 2020 financial guidelines" section. Please refer to the "Key performance indicators and performance highlights" section for further details on the fiscal 2019 results and achievements.

2.6 KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA[(1)] and free cash flow[(1)] on a constant currency basis[(1)].

	Actual	Revised projections (2)	Actual		Achievement of the projections
	Fiscal 2018 (1)	Fiscal 2019 (constant currency) (3)	Fiscal 2019 (constant currency) (3)		Fiscal 2019
(in millions of dollars)	$		$	%	
Financial guidelines					
Revenue	2,262	Increase of 5% to 7%	2,407	6.4	Achieved
Adjusted EBITDA	1,035	Increase of 7% to 9%	1,116	7.8	Achieved
Acquisitions of property, plant and equipment	461	$455 to $475	430	(6.8)	Surpassed
Free cash flow	320	Increase of 33% to 40%	468	46.1	Surpassed

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

(2) Following Cogeco Communications' announcement of the agreement on February 27, 2019 to sell Cogeco Peer 1, fiscal 2019 financial guidelines were revised.

(3) Actual results are presented in constant currency based on fiscal 2018 average foreign exchange rates of 1.2773 USD/CDN.

For further details on the Corporation's operating results, please refer to the "Operating and financial results" and the "Cash flow analysis" sections.

REVENUE

Fiscal 2019 revenue in constant currency increased by 6.4%, achieving the Corporation's revised projections mainly due to the Communications segment resulting from higher revenue in the American broadband services operations due to the MetroCast cable systems acquisition (the "MetroCast acquisition") MetroCast and FiberLight acquisition combined with strong organic growth, partly offset by a slight decrease of revenue in the Canadian broadband services operations from lower than expected primary service units[(2)] resulting from issues following the implementation of a new customer management system.

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA in constant currency increased by 7.8%, achieving the Corporation's revised projections mainly due to growth in revenue exceeding growth in operating expenses.

(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.

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

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

For fiscal 2019, the Corporation invested $429.7 million in constant currency ($439.1 million in reported dollars) in acquisitions of property, plant and equipment, thus spending less than anticipated and surpassing the Corporation's revised projections mainly due to lower than expected capital expenditures in the Canadian and American broadband services operations due to the timing of certain initiatives and a greater focus on capital expenditures optimization.

FREE CASH FLOW

In constant currency, fiscal 2019 free cash flow increased by 46.1%, surpassing the Corporation's revised projections mostly as a result of lower than expected capital expenditures in the Communications segment.

2.7 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2019	2018 (1)	2017 (2)
(in thousands of dollars, except percentages and per share data)	$	$	$
Operations			
Revenue	2,444,062	2,262,030	2,347,678
Adjusted EBITDA	1,131,980	1,035,110	1,035,545
Integration, restructuring and acquisition costs	12,851	20,463	3,191
Profit for the year from continuing operations	368,165	399,950	N/A
Profit (loss) for the year from discontinued operations	75,380	(24,381)	N/A
Profit for the year	443,545	375,569	313,367
Profit for the year from continuing operations attributable to owners of the Corporation	119,222	134,158	N/A
Profit for the year attributable to owners of the Corporation	143,163	126,437	108,985
Cash flow			
Cash flow from operating activities	890,077	638,377	977,081
Acquisitions of property, plant and equipment	439,055	460,910	431,307
Free cash flow	469,155	320,147	390,274
Financial condition			
Cash and cash equivalents	559,393	86,352	212,283
Short-term investments	—	—	54,000
Total assets	7,125,037	7,335,547	5,499,376
Indebtedness(3)	3,514,185	3,951,791	2,633,159
Long-term financial liabilities(4)	3,524,079	3,843,450	2,518,592
Equity attributable to owners of the Corporation	754,768	710,908	578,556
Per Share Data(5)			
Earnings (loss) per share			
Basic			
From continuing operations	7.38	8.19	N/A
From discontinued operations	1.48	(0.47)	N/A
From continuing and discontinued operations	8.86	7.72	6.56
Diluted			
From continuing operations	7.32	8.13	N/A
From discontinued operations	1.47	(0.47)	N/A
From continuing and discontinued operations	8.79	7.66	6.52
Dividends	1.72	1.56	1.36

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

(2) Fiscal 2017 was not restated to comply with IFRS 15 and does not reflect a change in accounting policy and includes the results of Cogeco Peer 1.

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

(4) Long-term financial liabilities include long-term debt, derivative financial instruments, contract liabilities and other liabilities and pension plan liabilities and accrued employee benefits.

(5) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**2,444,062**	2,262,030	8.0	6.4	37,433
Operating expenses	**1,312,082**	1,226,920	6.9	5.2	21,636
Adjusted EBITDA	**1,131,980**	1,035,110	9.4	7.8	15,797

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

REVENUE

Fiscal 2019 revenue increased by 8.0% (6.4% in constant currency) mainly due to:

- growth of 8.6% (6.8% in constant currency) in the Communications segment mostly as a result of the impact of the MetroCast acquisition completed on January 4, 2018 combined with strong organic growth and the FiberLight acquisition in the American broadband services operations; partly offset by
- a decrease of 2.1% in the Other segment mainly from a soft advertising market and increased competition in the media activities, partly offset by the RNC Média acquisition.

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

OPERATING EXPENSES

Fiscal 2019 operating expenses increased by 6.9% (5.2% in constant currency) compared to the prior year mostly attributable to the Communications segment.

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

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA increased by 9.4% (7.8% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in the American and Canadian broadband services operations.

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

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2019 integration, restructuring and acquisition costs amounted to $12.9 million mostly due to restructuring costs incurred in the Canadian broadband services operations in relation to an operational optimization program during the first half of fiscal 2019. The workforce reduction strategy, which included a voluntary departure program focused on support functions, aimed at creating a leaner, more efficient and agile organization pursuant to its digital transformation. In addition, acquisition and integration costs were incurred by the American broadband services operations related to the FiberLight acquisition and by the Corporation's subsidiary, Cogeco Media, related to the acquisition of 10 regional radio stations on November 26, 2018.

Fiscal 2018 integration, restructuring and acquisition costs amounted to $20.5 million and were related to the MetroCast acquisition completed on January 4, 2018.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	426,683	391,243	9.1
Amortization of intangible assets	57,293	45,928	24.7
	483,976	437,171	10.7

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

Fiscal 2019 depreciation and amortization expense increased by 10.7% resulting mainly from the impact of the MetroCast acquisition combined with additional depreciation from the acquisitions of property, plant and equipment during the fiscal year and the appreciation of the US dollar against the Canadian dollar compared to the prior year.

3.4 FINANCIAL EXPENSE

Years ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	179,692	182,229	(1.4)
Net foreign exchange gains	(2,898)	(2,154)	34.5
Amortization of deferred transaction costs	1,913	1,945	(1.6)
Capitalized borrowing costs	(690)	(2,074)	(66.7)
Other	363	8,240	(95.6)
	178,380	188,186	(5.2)

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

Fiscal 2019 financial expense decreased by 5.2% mainly due to:

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

3.5 INCOME TAXES

Years ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Current	57,623	73,537	(21.6)
Deferred	30,985	(84,197)	—
	88,608	(10,660)	—

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

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	456,773	389,290	17.3
Combined Canadian income tax rate	26.50%	26.50%	—
Income taxes at combined Canadian income tax rate	121,045	103,162	17.3
Difference in operations' statutory income tax rates	1,575	(206)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	32	(94,203)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(52)	2,430	—
Tax impacts related to foreign operations	(28,633)	(22,099)	29.6
Other	(5,359)	256	—
	88,608	(10,660)	—

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

Fiscal 2019 income taxes expense amounted to $88.6 million compared to a recovery of $10.7 million for the prior year mainly attributable to:

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

On March 19, 2019, the Department of Finance Canada confirmed the acceleration of tax depreciation on most capital investments for property, plant and equipment acquired after November 20, 2018, which phases out during the period from 2023 to 2028. The federal accelerated tax depreciation had a favorable impact on the current income tax expense of the Corporation in fiscal 2019. On March 21, 2019, the Québec Department of Finance confirmed that it would harmonize with the Federal legislation.

On December 22, 2017, the U.S. federal government 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 which reduced net deferred tax liabilities by approximately $94 million (US$74 million) in the second quarter of fiscal 2018. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance, which together with tax rate reductions, had an overall favorable impact on the income tax expense.

3.6 PROFIT FOR THE YEAR

Years ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the year from continuing operations	368,165	399,950	(7.9)
Profit for the year	443,545	375,569	18.1
Profit for the year from continuing operations attributable to owners of the Corporation	119,222	134,158	(11.1)
Profit for the year attributable to owners of the Corporation	143,163	126,437	13.2
Profit for the year attributable to non-controlling interest[2]	300,382	249,132	20.6
Basic earnings per share from continuing operations	7.38	8.19	(9.9)
Basic earnings earnings per share	8.86	7.72	14.8

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

(2) The non-controlling interest represents a participation of approximately 68.2% in Cogeco Communications' profit for the year attributable to owners of the Corporation in addition to a participation of 21% in Cogeco Communications' Atlantic Broadband subsidiary results by Caisse de dépôt et placement du Québec ("CDPQ"), effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 profit for the year from continuing operations and profit for the year from continuing operations attributable to owners of the Corporation decreased by 7.9% and 11.1%, respectively, as a result of:

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

Fiscal 2019 profit for the year and profit for the year attributable to owners of the Corporation increased by 18.1% and 13.2%, respectively, mainly due to a profit for the year from discontinued operations of $75.4 million resulting from the sale of Cogeco Peer 1 compared to a loss for the year from discontinued operations of $24.4 million for the prior year in addition to the elements mentioned above.

4. RELATED PARTY TRANSACTIONS

Cogeco holds 31.8% of Cogeco Communications' equity shares, representing 82.3% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). On May 1, 2019, Cogeco and Cogeco Communications agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by Cogeco Communications to Cogeco, which was based on a percentage of the consolidated revenue of Cogeco Communications, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology was adopted to avoid future variations of the management fee percentage due to frequent changes to Cogeco Communications' consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For the year ended August 31, 2019, management fees paid by Cogeco Communications Inc. amounted to $19.9 million compared to $19.0 million for fiscal 2018.

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

Years ended August 31,	**2019**	2018
Stock options	**97,725**	126,425
PSUs	**14,625**	19,025

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

Years ended August 31,	**2019**	2018
(in thousands of dollars)	**$**	$
Stock options	**1,046**	915
ISUs	**61**	1
PSUs	**981**	990
DSUs	**631**	—

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

5. CASH FLOW ANALYSIS

Years ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	**890,077**	638,377	39.4
Cash flow from investing activities	**(492,638)**	(2,194,761)	(77.6)
Cash flow from financing activities	**(657,766)**	1,412,131	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(439)**	1,989	—
Net change in cash and cash equivalents from continuing operations	**(260,766)**	(142,264)	83.3
Net change in cash and cash equivalent from discontinued operations[(2)]	**733,807**	16,333	—
Cash and cash equivalents, beginning of the year	**86,352**	212,283	(59.3)
Cash and cash equivalents, end of the year	**559,393**	86,352	—

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

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

5.1 OPERATING ACTIVITIES

Fiscal 2019 cash flow from operating activities increased by 39.4% compared to the prior year mainly from:

- higher adjusted EBITDA;
- the decreases in income taxes paid and in financial expense paid; and
- the decrease in integration, restructuring and acquisitions costs.

5.2 INVESTING ACTIVITIES

Fiscal 2019 investing activities decreased by 77.6% compared to the prior year mainly due to the MetroCast acquisition of $1.76 billion in the second quarter of fiscal 2018.

BUSINESS COMBINATIONS IN FISCAL 2019

Acquisition of 10 regional radio stations

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

The acquisition was accounted for using the purchase method and is subject to post closing adjustments. The preliminary allocation of the purchase price of this acquisition is as follows:

	Preliminary
	November 30, 2018
	$
Purchase price	
Consideration paid at closing	**17,174**
Balance due on business combinations	**2,000**
	19,174
Net assets acquired	
Trade and other receivables	**2,354**
Prepaid expenses and other	**31**
Property, plant and equipment	**1,337**
Intangible assets	**7,354**
Goodwill	**8,310**
Trade and other payables assumed	**(168)**
Contract liabilities and other liabilities assumed	**(44)**
	19,174

Purchase of a fibre network and corresponding assets

On October 3, 2018, Cogeco Communications' subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband’s existing south Florida footprint.

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. The final allocation of the purchase price of this acquisition is as follows:

	Final August 31, 2019 $	Preliminary November 30, 2018 $
Purchase price		
Consideration paid at closing	38,876	38,876
Balance due on business combinations	5,005	5,005
	43,881	43,881
Net assets acquired		
Trade and other receivables	1,308	1,743
Prepaid expenses and other	335	335
Property, plant and equipment	28,785	45,769
Intangible assets	3,978	—
Goodwill	11,093	—
Trade and other payables assumed	(644)	(644)
Contract liabilities and other liabilities assumed	(974)	(3,322)
	43,881	43,881

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 acquisitions of property, plant and equipment decreased by 4.7% (6.8% in constant currency) compared to fiscal 2018 mainly due to the decrease of capital expenditures in the Communications segment.

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

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2019 free cash flow increased by 46.5% (46.1% in constant currency) compared to the prior year mainly as a result of the following:

- higher adjusted EBITDA;
- the decrease in acquisitions of property, plant and equipment;
- the decreases in current income taxes expense and in financial expense; and
- the decrease in integration, restructuring and acquisition costs.

FINANCING ACTIVITIES

Fiscal 2019 changes in cash flows from financing activities are mainly explained as follows:

Years ended August 31,	2019	2018	Explanations
(in thousands of dollars)	$	$	
Increase (decrease) in bank indebtedness	**(5,949)**	2,148	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(423,516)**	386,563	Repayments of Cogeco Communications' revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with generated free cash flow, partly offset by increased drawing under the Corporation's revolving loan during the third quarter of fiscal 2019. US$307 million revolving loan was drawn under Cogeco Communications' Term Revolving Facility following the early reimbursement of the US$400 million Senior Unsecured Notes in the third quarter of fiscal 2018 and drawing of US$40.4 million on the US$150 million Senior Secured Revolving Credit Facility to finance the MetroCast acquisition.
Issuance of long-term debt, net of discounts and transaction costs	**—**	2,082,408	Issuance by Cogeco Communications of a US$1.7 billion Senior Secured Term Loan B to finance the MetroCast acquisition and refinance Atlantic Broadband's long-term debt in the second quarter of fiscal 2018.
Repayments of long-term debt	**(77,660)**	(1,329,064)	Reimbursement by Cogeco Communications of the $55 million Senior Secured Notes Series B maturing in October 2018. Repayment of Cogeco Communications' long-term debt in fiscal 2018 mainly related to the Atlantic Broadband refinancing and the early redemption of the US$400 million Senior Unsecured Notes.
Repayment of balance due on business combinations	**(655)**	(118)	Not significant.
Increase in deferred transaction costs	**(2,390)**	(3,200)	Not significant.
	(510,170)	1,138,737	

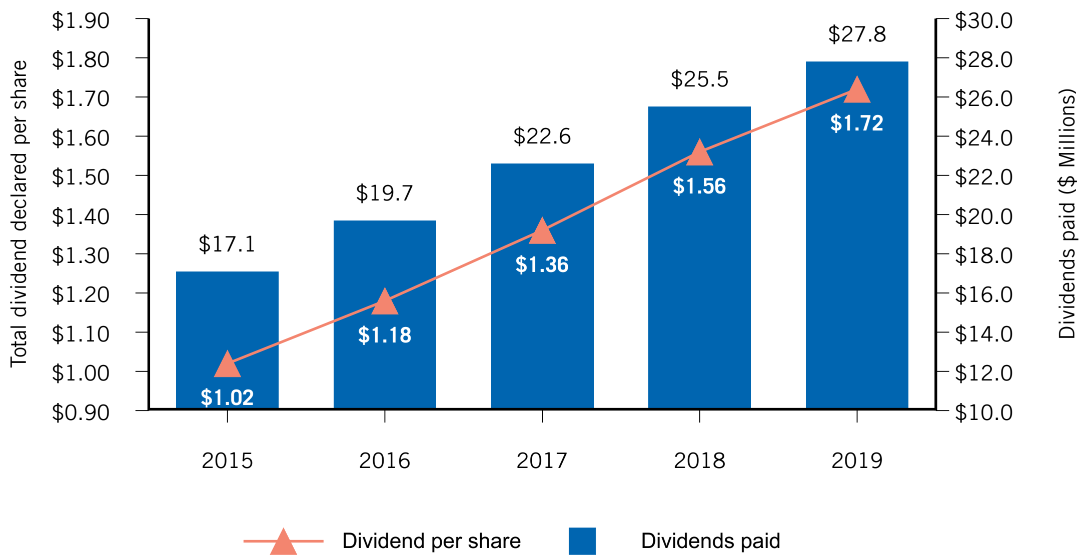
DIVIDENDS

The dividends declaration dates and payments for multiple and subordinate voting shares are as follows:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
October 31, 2018	**November 14, 2018**	**November 28, 2018**	**0.43**
January 10, 2019	**January 24, 2019**	**February 7, 2019**	**0.43**
April 9, 2019	**April 23, 2019**	**May 7, 2019**	**0.43**
July 10, 2019	**July 24, 2019**	**August 7, 2019**	**0.43**
November 2, 2017	November 16, 2017	November 30, 2017	0.39
January 10, 2018	January 24, 2018	February 7, 2018	0.39
April 12, 2018	April 26, 2018	May 10, 2018	0.39
July 11, 2018	July 25, 2018	August 8, 2018	0.39

During fiscal 2019, quarterly eligible dividends of $0.43 per share, totaling $1.72 per share, were paid to the holders of multiple and subordinate voting shares, for a total of $27.8 million. In fiscal 2018, quarterly eligible dividends of $0.39 per share, totaling $1.56 per share, were paid to the holders of multiple and subordinate voting shares, for a total of $25.5 million. In addition, dividends paid by a subsidiary to non-controlling interest during fiscal 2019 amounted to $70.8 million compared to $63.9 million for the prior year. During the last five years, dividends per share increased by 14.0% on a compounded annual basis.

Total dividends and dividends per share over the last five years are as follow:



NORMAL COURSE ISSUER BID - Cogeco Inc.

On July 31, 2019, the Corporation renewed its normal course issuer bid program from August 2, 2019 to August 1, 2020, enabling it to acquire for cancellation up to 300,000 subordinate voting shares.

During fiscal 2019, Cogeco purchased and cancelled 265,990 subordinate voting shares with an average stated value of $2.2 million, for a total consideration of $20.6 million. During fiscal 2018, Cogeco purchased and cancelled 205,810 subordinate voting shares with an average stated value of $1.7 million for a total consideration of $14.6 million.

The normal course issuer bid purchases were as follows:

					2019
Quarters ended	**Nov. 30**	**Feb. 28**	**May 31**	**Aug. 31**	**Total**
(in thousands of dollars, except number of shares and average purchase price per share)	**$**	**$**	**$**	**$**	**$**
Subordinate voting shares purchased and cancelled	**60,790**	—	**175,868**	**29,332**	**265,990**
Average purchase price per share	**59.97**	—	**80.53**	**94.81**	**77.41**
Purchase costs	**3,646**	—	**14,163**	**2,781**	**20,590**

					2018
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in thousands of dollars, except average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	89,348	—	12,952	103,510	205,810
Average purchase price per share	82.01	—	65.60	62.50	71.17
Purchase costs	7,327	—	850	6,470	14,647

NORMAL COURSE ISSUER BID - Cogeco Communications Inc.

Following the completion of the sale of Cogeco Peer 1 on April 30, 2019, the Toronto Stock Exchange has accepted Cogeco Communications' notice of intention for a normal course issuer bid in respect to its subordinate voting shares. Purchases pursuant to the normal course issuer bid will be made between May 3, 2019 to May 2, 2020 and enable Cogeco Communications to acquire up to 1,869,000 subordinate voting shares.

During fiscal 2019, Cogeco Communications purchased and cancelled 327,200 subordinate voting shares with an average stated value of $9.1 million for a total consideration of $32.4 million.

The normal course issuer bid purchases were as follows:

					2019
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in thousands of dollars, except number of shares and average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	—	—	157,400	169,800	327,200
Average purchase price per share	—	—	91.87	105.55	98.97
Purchase costs	—	—	14,460	17,922	32,382

6. COMMUNICATIONS SEGMENT

6.1 OPERATING RESULTS

Years ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	2,331,820	2,147,404	8.6	6.8	37,433
Operating expenses	1,203,980	1,121,625	7.3	5.4	21,636
Management fees – Cogeco Inc.	19,900	18,961	5.0	5.0	—
Adjusted EBITDA	1,107,940	1,006,818	10.0	8.5	15,797
Adjusted EBITDA margin	47.5%	46.9%			

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

REVENUE

Years ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	1,294,967	1,299,906	(0.4)	(0.4)	—
American broadband services	1,036,853	847,372	22.4	17.9	37,433
Inter-segment eliminations and other	—	126	(100.0)	(100.0)	—
	2,331,820	2,147,404	8.6	6.8	37,433

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 revenue increased by 8.6% (6.8% constant currency) resulting from:

- growth in the American broadband services operations mainly as a result of:
    - the impact of the MetroCast acquisition which was included in revenue for only an eight-month period in the prior year;
    - rate increases;
    - continued growth in Internet service customers; and
    - the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
    - a decrease in video service customers.

- a decrease in the Canadian broadband services operations mainly due to:
  - a decline in primary service units in the fourth quarter of fiscal 2018 and the first quarter of 2019 from lower service activations primarily due to issues resulting from the implementation of a new customer management system; partly offset by
  - rate increases; and
  - higher net pricing from consumer sales.

OPERATING EXPENSES

Years ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**606,286**	618,886	(2.0)	(2.2)	1,102
American broadband services	**571,208**	478,172	19.5	15.2	20,522
Inter-segment eliminations and other	**26,486**	24,567	7.8	7.8	12
	1,203,980	1,121,625	7.3	5.4	21,636

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 operating expenses increased by 7.3% (5.4% in constant currency) as follows:

- additional costs in the American broadband services operations resulting mainly from:
  - the impact of the MetroCast acquisition which was included in operating expenses for only an eight-month period in the prior year;
  - programming rate increases;
  - the FiberLight acquisition completed in the first quarter of fiscal 2019;
  - higher compensation expenses due to higher headcount to support growth; and
  - higher marketing initiatives to drive primary service units growth; partly offset by
  - the prior year's non-recurring costs of $3.1 million (US$2.5 million) related to hurricane Irma.
- a decrease in the Canadian broadband services operations due to:
  - lower programming costs resulting from a lower level of primary service units; and
  - lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; partly offset by
  - higher marketing initiatives; and
  - retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher rates than expected established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period of 2014 to 2018.
- additional costs in Inter-segment eliminations and other resulting from corporate projects and initiatives and the timing of certain initiatives.

MANAGEMENT FEES

Fiscal 2019 management fees paid to Cogeco Inc. reached $19.9 million compared to $19.0 million for fiscal 2018. For further details on Cogeco Communications' management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Years ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Canadian broadband services	688,681	681,020	1.1	1.3	(1,102)
American broadband services	465,645	369,200	26.1	21.5	16,911
Inter-segment eliminations and other	(46,386)	(43,402)	6.9	6.8	(12)
	1,107,940	1,006,818	10.0	8.5	15,797

(1) Fiscal 2019 average foreign exchange rate used for translation was 1.3255 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of fiscal 2018 which was 1.2773 USD/CDN.

Fiscal 2019 adjusted EBITDA increased by 10.0% (8.5% in constant currency) as a result of:

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

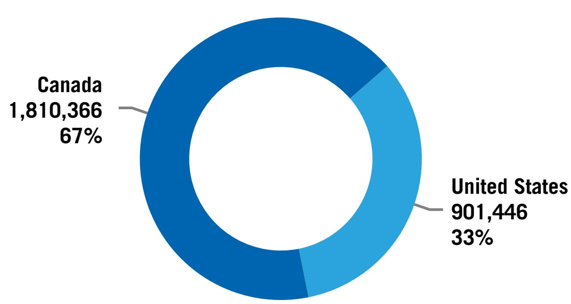
ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE AND OTHER ASSETS

Fiscal 2019 acquisitions of property, plant and equipment, intangible and other assets decreased by 5.1% (7.1% in constant currency) mainly as follows:

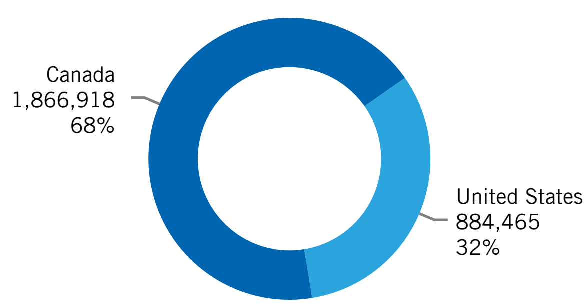
- In the American broadband services operations, fiscal 2019 capital expenditures decreased by 9.4% (12.4% in constant currency), mainly due to:
  - the acquisition of several dark fibres throughout south Florida from FiberLight, LLC for a consideration of $21.2 million (US $16.8 million) during the second quarter of fiscal 2018; partly offset by
  - additional capital expenditures related to the impact of the MetroCast acquisition; and
  - additional capital expenditures related to the expansion in Florida.
- In the Canadian broadband services operations, fiscal 2019 capital expenditures decreased by 1.3% (2.6% increase in constant currency) resulting from:
  - lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; and
  - lower purchases of customer premise equipment due to the timing of certain initiatives; partly offset by
  - additional investments to improve and expand the network infrastructure; and
  - costs related to the new Internet protocol television ("IPTV") platform.

6.2 CUSTOMER STATISTICS

PSU by geographic region at August 31, 2019



PSU by geographic region at August 31, 2018



	August 31, 2019			Net additions (losses) Years ended		% of penetration(4) (5)	
	Consolidated	Canada	United States	August 31, 2019	August 31, 2018 (2) (3)	August 31, 2019	August 31, 2018 (5)
Primary service units(1)	**2,711,812**	**1,810,366**	**901,446**	**(39,571)**	(35,598)		
Internet service customers	**1,234,380**	**788,243**	**446,137**	**27,155**	35,590	**46.7**	46.3
Video service customers	**962,138**	**649,583**	**312,555**	**(43,882)**	(43,795)	**36.4**	38.6
Telephony service customers	**515,294**	**372,540**	**142,754**	**(22,844)**	(27,393)	**19.5**	20.7

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

(2) Excludes adjustments related to the migration to the new customer management system implemented in the Canadian broadband services operations during the third quarter of fiscal 2018.

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

(4) As a percentage of homes passed.

(5) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services operations have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed for fiscal 2018 have also been adjusted.

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

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 Internet service customers net additions amounted to 27,155 compared to 35,590 for fiscal 2018 mainly explained by:

- the ongoing interest in high speed offerings;
- the sustained interest in bundle offers;
- additional connects related to the Florida expansion initiatives and in the MetroCast footprint;
- growth in both the residential and business sectors in the United States; and
- the increased demand from Internet resellers in Canada; partly offset by
- competitive offers in the industry in Canada; and
- contact center congestion during the stabilization period of the new customer management system in Canada.

VIDEO

Fiscal 2019 video service customers net losses stood at 43,882 compared to 43,795 for fiscal 2018 mainly explained by:

- highly competitive offers in the industry;
- a changing video consumption environment; and
- contact center congestion during the stabilization period of the new customer management system in Canada; partly offset by
- the activation of bulk properties in Florida during the fourth quarter of fiscal 2019;
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings in Canada.

TELEPHONY

Fiscal 2019 telephony service customers net losses stood at 22,844 compared to 27,393 for fiscal 2018 mainly explained by:

- technical issues with telephony activations following the implementation of the new customer management system in Canada which were resolved at the end of the first quarter;
- increasing wireless penetration in Canada and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only; partly offset by
- growth in the business sector in Canada and the United States; and
- more telephony bundles due to additional promotional activity in the second half of fiscal 2019.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco generally maintains a working capital deficiency due to a low level of trade and other receivables as a large proportion 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. However, the Corporation had a working capital surplus at August 31, 2019 due to cash and cash equivalents from the sale of Cogeco Peer 1.

The variations are as follows:

(in thousands of dollars)	**August 31, 2019** **$**	August 31, 2018 [1] $	Change $	Explanations
Current assets				
Cash and cash equivalents	**559,393**	86,352	473,041	Please refer to the "Cash flow analysis" section.
Trade and other receivables	**98,375**	118,718	(20,343)	Related to the sale of Cogeco Peer 1 on April 30, 2019, partly offset by revenue growth combined with the appreciation of the US dollar against the Canadian dollar.
Income taxes receivable	**18,767**	25,697	(6,930)	Mostly related to lower income tax installments made during fiscal 2019 in the Canadian broadband services operations.
Prepaid expenses and other	**24,184**	30,444	(6,260)	Related to the sale of Cogeco Peer 1.
Derivative financial instrument	**109**	1,330	(1,221)	Not significant.
	700,828	262,541	438,287	
Current liabilities				
Bank indebtedness	**—**	5,949	(5,949)	Timing of payments made to suppliers.
Trade and other payables	**276,782**	320,306	(43,524)	Timing of payments made to suppliers combined with the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Provisions	**36,803**	26,137	10,666	Mostly related to the increase of network fees under negotiation in the Canadian broadband services operations.
Income tax liabilities	**16,693**	16,133	560	Not significant.
Contract liabilities and other liabilities	**43,768**	59,967	(16,199)	Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar.
Balance due on business combinations	**6,520**	—	6,520	Related to the FiberLight acquisition completed on October 3, 2018.
Current portion of long-term debt	**22,624**	77,209	(54,585)	Mostly related to the reimbursement of the $55 million Senior Secured Notes Series B maturing in October 2018, partly offset by the appreciation of the US dollar against the Canadian dollar.
	403,190	505,701	(102,511)	
Working capital surplus (deficiency)	**297,638**	(243,160)	540,798	

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

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	August 31, 2019 $	August 31, 2018 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,024,173**	2,337,751	(313,578)	Related to the sale of Cogeco Peer 1, partly offset by the FiberLight acquisition in the first quarter of fiscal 2019 and the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,938,116**	3,007,306	(69,190)	Related to the sale of of Cogeco Peer 1, partly offset by the RNC Média acquisition and the appreciation of the US dollar against the Canadian dollar.
Goodwill	**1,400,334**	1,627,031	(226,697)	Related to the sale of Cogeco Peer 1, partly offset by the appreciation of the US dollar against the Canadian dollar and the FiberLight and RNC Média acquisitions.
Derivative financial instruments	**—**	33,797	(33,797)	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Non-current liabilities				
Long-term debt	**3,439,399**	3,817,935	(378,536)	Mostly related to the reimbursement of the US$328 million Canadian Revolving Facility during the third quarter of fiscal 2019 using the proceeds of the sale of Cogeco Peer 1, partly offset by increased drawing of US$20.5 million under the revolving loan during fiscal 2019 combined with the appreciation of the US dollar against the Canadian dollar.
Derivative financial instruments	**46,044**	—	46,044	Lower fair value of the interest rate swap agreements related to the US$1.7 billion Senior Secured Term Loan B issued for the MetroCast acquisition due to a lower interest rate.
Shareholders' equity				
Equity attributable to non-controlling interest(2)	**1,869,111**	1,700,783	168,328	Mostly related to the participation of 68.3% in Cogeco Communications' profit for the year attributable to owners of the Corporation.

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

(2) The non-controlling interest represents a participation of approximately 68.2% in Cogeco Communications' equity attributable to owners of the Corporation in addition to a participation of 21% in Cogeco Communications' Atlantic Broadband subsidiary by CDPQ, effective since the MetroCast acquisition on January 4, 2018.

8. CAPITAL RESOURCES AND LIQUIDITY

8.1 CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2020 guidelines:

Years ended August 31,	2020 Guidelines (1)	2019	2018
Average cost of indebtedness(2)	4.4%	**4.4%**	4.4%
Fixed rate indebtedness(3)	78%	**77%**	72%
Average term: long-term debt (in years)	3.9	**4.9**	5.6
Net secured indebtedness(4) / Adjusted EBITDA(6)	2.3	**2.6**	3.7
Net indebtedness(5) / Adjusted EBITDA(6)	2.3	**2.6**	3.7
Adjusted EBITDA / financial expense(6)	N/A (7)	**6.3**	5.5

(1) Based on mid-range guidelines.

(2) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps. Potential variations in the US LIBOR rates in fiscal 2020 have not been considered.

(3) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

(4) Net secured indebtedness is defined as the aggregate of bank indebtedness, balance due on business combinations and principal on long-term debt, less cash and cash equivalents and principal on Unsecured Debentures.

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

(6) Adjusted EBITDA and financial expense for fiscal year 2018 include only eight months of MetroCast operations.

(7) Specific guidance on interest coverage cannot be provided given that financial expense guidance is not provided.

In fiscal 2019, the financial leverage ratio relating to net indebtedness over adjusted EBITDA has declined as a result of the sale of Cogeco Peer 1 on April 30, 2019 for a net cash consideration of $720 million and to a lesser extent growing adjusted EBITDA and a reduction in net indebtedness from generated free cash flow. In fiscal 2020, prior to the adoption of IFRS 16 *Leases*, the financial leverage ratio relating to net indebtedness over adjusted EBITDA should continue to decline as a result of growing adjusted EBITDA and a projected reduction in net indebtedness from generated free cash flow.

COMMUNICATIONS SEGMENT

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2020 guidelines:

Years ended August 31,	2020 Guidelines [1]	**2019**	2018
Average cost of indebtedness[2]	4.4%	**4.4%**	4.4%
Fixed rate indebtedness[3]	78%	**78%**	72%
Average term: long-term debt (in years)	3.9	**4.9**	5.7
Net indebtedness[4] / adjusted EBITDA[5]	2.3	**2.6**	3.8
Adjusted EBITDA / financial expense[5]	N/A [6]	**6.3**	5.4

(1) Based on mid-range guidelines.

(2) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps. Potential variations in the US LIBOR rates in fiscal 2020 have not been considered.

(3) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

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

(5) Adjusted EBITDA and financial expense for fiscal year 2018 include only eight months of MetroCast operations.

(6) Specific guidance on interest coverage cannot be provided given that financial expense guidance is not provided.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco's share data at September 30, 2019 is presented in the table below. Additional details are provided in note 20 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	**14,302,397**	**116,148**

8.3 FINANCING

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

On December 3, 2018, the Corporation increased its Term Revolving Facility to $100 million and extended the maturity date by an additional year until February 1, 2024.

At August 31, 2019, the Corporation had used $22.2 million of its $100 million Term Revolving Facility and an amount of $0.6 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $77.8 million and $799.4 million, respectively. In addition, two subsidiaries of Cogeco Communications also benefit from a Senior Secured Revolving Facility of $199.4 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2019 for a remaining availability of $196.2 million (US$147.6 million).

8.4 COGECO COMMUNICATIONS CREDIT RATINGS

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

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

NR : Not rated

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

8.5 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks on their floating interest rate instruments. Interest rates fluctuations will have an effect on the repayment of these instruments. At August 31, 2019, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' First Lien Credit Facilities which are subject to floating interest rates.

To mitigate such risk, the Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - 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 is approximately $7.9 million based on the outstanding debt at August 31, 2019.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximatively $12.0 million based on the outstanding debt at August 31, 2019.

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

The following table shows the net investments in foreign operations outstanding at August 31, 2019:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$390 million	US$1,000 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2019 was $1.3295 ($1.3055 in 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $81.1 million.

Market risk

The Corporation and its subsidiary, Cogeco Communications, use derivative instruments to manage the exposure to the risk of changes in the price of their subordinate voting shares under the DSU plans. As such, the Corporation and Cogeco Communications use equity swap agreements on their subordinate voting shares to economically hedge the cash flow exposure. A 5% variation in the market price of their subordinate voting shares at August 31, 2019 would result in a variation, net of the hedge, of approximately $0.1 million in operating expenses for 2019.

8.6 FOREIGN CURRENCY

For the year ended August 31, 2019, the average rates prevailing used to convert the operating results of the Communications segment and the discontinued operations were as follows:

Years ended August 31,	2019	2018	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	1.3255	1.2773	0.05	3.8
British Pound vs Canadian dollar (1)	1.7212	1.7220	—	—

(1) The rate for fiscal 2019 is for the eight-month period ended April 30, 2019.

The following table highlights in Canadian dollars, the impact of a $0.05 variation of the Canadian dollar against the US dollar on the Communications segment's results for the year ended August 31, 2019:

	Communications segment
Year ended August 31, 2019	Exchange rate impact
(in thousands of dollars)	$
Revenue	37,433
Operating expenses	21,636
Management fees - Cogeco Inc.	—
Adjusted EBITDA	15,797
Acquisitions of property, plant and equipment	9,342
Free cash flow	1,330

8.7 COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

Cogeco's contractual obligations at August 31, 2019 are shown in the table below:

Years ended August 31,	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Operating lease agreements (1)	26,093	25,186	23,567	23,912	22,437	69,752	190,947
Acquisitions of property, plant and equipment and intangible assets (2)	15,201	14,625	22,355	18,613	21,272	—	92,066
Other long-term contracts (3)	36,518	21,769	9,863	8,464	7,116	20,113	103,843
	77,812	61,580	55,785	50,989	50,825	89,865	386,856

(1) Include operating lease agreements for rent of premises and support structures.

(2) Include minimum spend commitments under acquisitions of customer premise equipment and software licenses.

(3) Include long-term commitments with suppliers to provide services including minimum spend commitments.

B) CONTINGENCIES

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

The Corporation and its subsidiaries are involved in matters involving litigations or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigations to be significant to these consolidated financial statements. At August 31, 2019 and 2018, no liability has been recorded with respect to these litigations and potential claims, except for those disclosed in Note 17 of the Consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. At August 31, 2019 and 2018, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 17 of the Consolidated financial statements.

BUSINESS COMBINATIONS AND ASSET DISPOSALS

In connection with the acquisition or sale of a business or assets, in addition to possible indemnifications relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale.

LONG-TERM DEBT

Under the terms of Cogeco Communications' Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

EMPLOYEES AND CONTRACTUALS INDEMNIFICATION AGREEMENTS

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

SALE OF SERVICES

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

PURCHASE AND DEVELOPMENT OF ASSETS

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

9. DISCONTINUED OPERATIONS

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

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

As a result of the sale, Cogeco Communications recognized the following gain on disposal for fiscal 2019:

(in thousands of dollars)	**$**
Gross proceeds, net of cash disposed	**720,314**
Working capital adjustments	**691**
Transaction costs	**(10,903)**
Net proceeds from sale, net of cash disposed	**710,102**
Net assets disposed	**(625,738)**
Gain on disposal of a subsidiary	**84,364**

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

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

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

Years ended August 31,	**2019** (1)	2018	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**174,990**	275,952	(36.6)
Operating expenses	**132,390**	197,545	(33.0)
Adjusted EBITDA	**42,600**	78,407	(45.7)
Depreciation and amortization	**43,999**	95,891	(54.1)
Financial expense	**(1,304)**	(2,902)	(55.1)
Gain on disposal of a subsidiary	**(84,364)**	—	—
Profit (loss) before income taxes	**84,269**	(14,582)	—
Income taxes	**8,889**	9,799	(9.3)
Profit (loss) for the year from discontinued operations	**75,380**	(24,381)	—

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

REVENUE

Fiscal 2019 revenue decreased by 36.6% primarily due to an eight-month period of revenue in fiscal 2019 compared to a twelve-month period in fiscal 2018 combined with continued pricing pressures on the hosting and network connectivity services.

OPERATING EXPENSES

Fiscal 2019 operating expenses increased by 33.0% mainly due to:

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

ADJUSTED EBITDA

Fiscal 2019 adjusted EBITDA decreased by 45.7% as a result of an eight-month period of operating results in fiscal 2019 compared to twelve-month period in fiscal 2018 combined with a decline in revenue.

CASH FLOW

The cash flows of the discontinued operations were as follows:

Years ended August 31,	2019 (1)	2018	Change
(in thousands of dollars, except percentages)	$	$	%
Cash flow from operating activities	**41,962**	65,720	(36.2)
Cash flow from investing activities	**691,729**	(49,492)	—
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**116**	105	10.5
Net change in cash and cash equivalents from discontinued operations	**733,807**	16,333	—

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

10. QUARTERLY OPERATING RESULTS

10.1 QUARTERLY FINANCIAL HIGHLIGHTS

				Fiscal 2019				Fiscal 2018 (1) (2)
Three months ended	**Nov. 30**(2)	**Feb. 28**	**May 31**	**Aug. 31**	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	**$**	**$**	**$**	**$**	$	$	$	$
Operations								
Revenue	**607,361**	**608,574**	**617,617**	**610,510**	516,733	554,143	598,877	592,277
Adjusted EBITDA	**276,201**	**284,863**	**289,935**	**280,981**	235,892	252,879	277,397	268,942
Integration, restructuring and acquisition costs	**7,034**	**3,823**	**1,155**	**839**	392	15,999	2,260	1,812
Profit for the period from continuing operations	**82,767**	**87,646**	**102,559**	**95,193**	83,580	161,914	76,116	78,340
Profit (loss) for the period from discontinued operations	**(3,622)**	**(5,369)**	**82,451**	**1,920**	(1,885)	(16,079)	(5,365)	(1,052)
Profit for the period	**79,145**	**82,277**	**185,010**	**97,113**	81,695	145,835	70,751	77,288
Profit for the period from continuing operations attributable to owners of the Corporation	**27,314**	**27,366**	**33,744**	**30,798**	30,096	51,710	26,854	25,498
Profit for the period attributable to owners of the Corporation	**26,168**	**25,667**	**59,883**	**31,445**	29,499	46,618	25,155	25,165
Cash flow								
Cash flow from operating activities	**103,119**	**204,665**	**267,388**	**314,905**	(4,421)	202,362	171,757	268,679
Acquisitions of property, plant and equipment	**101,149**	**94,138**	**97,169**	**146,599**	84,602	112,886	98,950	164,472
Free cash flow	**112,922**	**128,229**	**140,393**	**87,611**	99,621	59,726	109,446	51,354
Earnings (loss) per share(3)(4)								
Basic								
From continuing operations	**1.69**	**1.69**	**2.09**	**1.91**	1.83	3.16	1.64	1.56
From discontinued operations	**(0.08)**	**(0.10)**	**1.62**	**0.04**	(0.04)	(0.31)	(0.10)	(0.02)
From continuing and discontinued operations	**1.61**	**1.58**	**3.71**	**1.95**	1.80	2.85	1.54	1.54
Diluted								
From continuing operations	**1.68**	**1.67**	**2.07**	**1.89**	1.82	3.13	1.63	1.55
From discontinued operations	**(0.08)**	**(0.10)**	**1.61**	**0.04**	(0.04)	(0.31)	(0.10)	(0.02)
From continuing and discontinued operations	**1.60**	**1.57**	**3.68**	**1.93**	1.78	2.82	1.52	1.52
Dividends per share	**0.43**	**0.43**	**0.43**	**0.43**	0.39	0.39	0.39	0.39

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

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

(3) The addition of quarterly information may not correspond to the annual total due to rounding.

(4) Per multiple and subordinate voting share

10.2 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 towns with education institutions. In the United States, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

10.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2019 (1)	2018 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**610,510**	592,277	3.1	2.7	2,427
Operating expenses	**329,529**	323,335	1.9	1.5	1,441
Adjusted EBITDA	**280,981**	268,942	4.5	4.1	986

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

REVENUE

Fiscal 2019 fourth-quarter revenue increased by 3.1% (2.7% in constant currency) compared to the same period of the prior year mainly due to:

- an increase of 3.1% (2.7% in constant currency) in the Communications segment resulting from a growth in the American broadband services operations mostly due to strong organic growth and the FiberLight acquisition combined with stable revenue in the Canadian broadband services operations; and
- an increase of 2.9% in the Other segment resulting mainly from the RNC Média acquisition during the first quarter of fiscal 2019, partly offset by a soft advertising market and increased competition in the media activities.

OPERATING EXPENSES

Fiscal 2019 fourth-quarter operating expenses increased by 1.9% (1.5% in constant currency) compared to the same period of the prior year mostly attributable to the Communications segment.

ADJUSTED EBITDA

Fiscal 2019 fourth-quarter adjusted EBITDA increased by 4.5% (4.1% in constant currency) mostly attributable to higher adjusted EBITDA in the Communications segment as a result of increases in both the American and Canadian broadband services operations.

INTEGRATION, RESTRUCTURING AND ACQUISTION COSTS

Fiscal 2019 fourth-quarter integration, restructuring and acquisition costs amounted to $0.8 million mostly due to mostly due to acquisition and integration costs in the American broadband services operations.

Fiscal 2018 fourth-quarter integration, restructuring and acquisition costs amounted to $1.8 million due to the MetroCast acquisition completed on January 4, 2018.

DEPRECIATION AND AMORTIZATION

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment	107,459	107,926	(0.4)
Amortization of intangible assets	14,858	13,172	12.8
	122,317	121,098	1.0

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

Fiscal 2019 fourth-quarter depreciation and amortization increased by 1.0% mostly as a result of the impact of the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

FINANCIAL EXPENSE

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Interest on long-term debt	42,114	46,747	(9.9)
Net foreign exchange losses (gains)	(446)	480	—
Amortization of deferred transaction costs	485	456	6.4
Capitalized borrowing costs	(168)	(162)	3.7
Other	(693)	855	—
	41,292	48,376	(14.6)

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

Fiscal 2019 fourth-quarter financial expense decreased by 14.6% mainly due to:

- the reimbursements of $65 million and US$35 million under the Canadian Revolving Facility during the second quarter of fiscal 2019 and of US$328 million during the third quarter of fiscal 2019 following the sale of Cogeco Peer 1; and
- lower debt outstanding and interest rates on the First Lien Credit Facilities; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to same period of the prior year.

INCOME TAXES

Three months ended August 31,	2019	2018 [(1)]	Change
(in thousands of dollars, except percentages)	$	$	%
Current	12,269	10,070	21.8
Deferred	9,071	9,246	(1.9)
	21,340	19,316	10.5

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

Three months ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages)	$	$	%
Profit before income taxes	116,533	97,656	19.3
Combined Canadian income tax rate	26.50%	26.50%	—
Income taxes at combined Canadian income tax rate	30,881	25,879	19.3
Difference in operations' statutory income tax rates	1,512	(169)	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	25	(37)	—
Impact on income taxes arising from non-deductible expenses and non-taxable profit	438	147	—
Tax impacts related to foreign operations	(7,517)	(6,825)	10.1
Other	(3,999)	321	—
	21,340	19,316	10.5

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

Fiscal 2019 fourth-quarter income taxes expense increased by 10.5% compared to the same period of the prior year mainly attributable to:

- the increase in profit before income taxes; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

PROFIT FOR THE PERIOD

Three months ended August 31,	2019	2018 [1]	Change
(in thousands of dollars, except percentages and earnings per share)	$	$	%
Profit for the period from continuing operations	95,193	78,340	21.5
Profit for the period	97,113	77,288	25.7
Profit for the period from continuing operations attributable to owners of the Corporation	30,798	25,498	20.8
Profit for the period attributable to owners of the Corporation	31,445	25,165	25.0
Profit for the period attributable to non-controlling interest[2]	65,668	52,123	26.0
Basic earnings per share from continuing operations	1.91	1.56	22.4
Basic earnings earnings per share	1.95	1.54	26.6

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

(2) The non-controlling interest represents a participation of approximately 68.2% in Cogeco Communications' profit for the period attributable to owners of the Corporation in addition to a participation of 21% in Cogeco Communications' Atlantic Broadband subsidiary results by CDPQ, effective since the MetroCast acquisition on January 4, 2018.

Fiscal 2019 fourth-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 21.5% and 20.8%, respectively, as a result of:

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

Fiscal 2019 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation increased by 25.7% and 25.0%, respectively, mainly due to a profit for the period from discontinued operations of $1.9 million due to working capital adjustments during the fourth quarter related to the sale of Cogeco Peer 1 compared to a loss for the period from discontinued operations of $1.1 million for the comparable period of the prior year in addition to the elements mentioned above.

COMMUNICATIONS SEGMENT

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2019 [1]	2018 [2]	Change	Change in constant currency [3]	Foreign exchange impact [3]
(in thousands of dollars, except percentages)	$	$	%	%	$
Revenue	**583,673**	566,184	3.1	2.7	2,427
Operating expenses	**302,833**	297,977	1.6	1.1	1,441
Management fees – Cogeco Inc.	**5,230**	4,796	9.0	9.0	—
Adjusted EBITDA	**275,610**	263,411	4.6	4.3	986
Adjusted EBITDA margin	**47.2%**	46.5%			

(1) For the three-month period ended August 31, 2019, the average foreign exchange rate used for translation was 1.3222 USD/CDN.

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

(3) Fiscal 2019 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2018 which was 1.3100 USD/CDN.

Revenue

Fiscal 2019 fourth-quarter revenue increased by 3.1% (2.7% in constant currency) mainly due to:

- growth of 7.0% (6.0% in constant currency) in the American broadband services operations as a result of:
  - rate increases;
  - activation of bulk properties in Florida during the fourth quarter of fiscal 2019;
  - continued growth in Internet service customers; and
  - the FiberLight acquisition completed in the first quarter of fiscal 2019; partly offset by
  - a decrease in video service customers.
- stable revenue in the Canadian broadband services operations resulting from:
  - rate increases; partly offset by
  - decreases in video and telephony services customers compared to the same period of the prior year primarily due to issues resulting from the implementation of a new customer management system in the second half of fiscal 2018.

Operating expenses

Fiscal 2019 fourth-quarter operating expenses increased by 1.6% (1.1% in constant currency) mainly due to:

- additional costs of 8.6% (7.6% in constant currency) in the American broadband services operations mainly as a result of:
  - programming rate increases;
  - the FiberLight acquisition completed in the first quarter of fiscal 2019;
  - higher compensation expenses due to higher headcount to support growth; and
  - higher marketing initiatives to drive primary service units growth.
- a decrease of 3.7% (3.8% in constant currency) in the Canadian broadband services operations resulting from:
  - lower programming costs resulting from a lower level of primary service units;
  - lower compensation expenses resulting from an operational optimization program implemented in the first half of fiscal 2019; and
  - costs incurred in fiscal 2018 driven by an increase in headcount to support the stabilization phase of the new customer management system; partly offset by
  - higher marketing initiatives.

Management fees

Fiscal 2019 fourth-quarter management fees paid to the Corporation. reached $5.2 million compared to $4.8 million for the same period of fiscal 2018.

Adjusted EBITDA

Fiscal 2019 fourth-quarter adjusted EBITDA increased by 4.6% (4.3% in constant currency) resulting from:

- an increase of 5.1% (4.1% in constant currency) in the American broadband services operations as a result of organic growth combined with the impact of the FiberLight acquisition; and
- an increase of 3.6% (3.6% in constant currency) in the Canadian broadband services operations resulting mainly from a decline in operating expenses.

Acquisitions of property, plant and equipment

Fiscal 2019 fourth-quarter acquisitions of property, plant and equipment decreased by 10.6% (11.2% in constant currency) mainly due to:

- a decrease of 9.5% (10.5% in constant currency) in the American broadband services operations as a result of:
  - lower purchases of customer premise equipment due to the timing of certain initiatives; and
  - lower capital expenditures due to the timing of certain initiatives; partly offset by
  - additional capital expenditures related to the expansion in Florida.
- a decrease by 11.5% (11.7% in constant currency) in the Canadian broadband services operations due to:
  - lower purchases of customer premise equipment due to the timing of certain initiatives; and
  - lower costs related to the new customer management system which was implemented in the third quarter of fiscal 2018; partly offset by
  - additional investments to improve and expand the network infrastructure; and
  - costs related to the new IPTV platform.

CUSTOMER STATISTICS

	August 31, 2019			Net additions (losses) Three months ended August 31,	
	Consolidated	Canada	United States	2019	2018 (1)
Primary service units	2,711,812	1,810,366	901,446	4,585	(33,021)
Internet service customers	1,234,380	788,243	446,137	4,981	1,728
Video service customers	962,138	649,583	312,555	(2,870)	(18,999)
Telephony service customers	515,294	372,540	142,754	2,474	(15,750)

(1) Excludes adjustments related to the migration to the new customer management system implemented in the Canadian broadband services operations during the third quarter of fiscal 2018.

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

Variations of each services are also explained as follows:

INTERNET

Fiscal 2019 fourth-quarter Internet service customers net additions amounted to 4,981 compared to 1,728 in fiscal 2018 mainly explained by:

- additional connects related to the Florida expansion initiatives and in the MetroCast footprint;
- growth in both the residential and business sectors in the United States;
- the ongoing interest in high speed offerings;
- the sustained interest in bundle offers;
- the increased demand from Internet resellers in Canada; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2019 fourth-quarter video net losses stood at 2,870 compared to 18,999 in fiscal 2018 mainly explained by:

- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- the activation of bulk properties in Florida during the fourth quarter of fiscal 2019;
- customers' interest in video services bundled with fast Internet offerings; and
- our customers' ongoing interest in TiVo's digital advanced video services.

TELEPHONY

Fiscal 2019 fourth-quarter telephony net additions stood at 2,474 compared to net losses of 15,750 in fiscal 2018 mainly explained by:

- more telephony bundles due to additional promotional activity in the second half of fiscal 2019 in Canada; and
- growth in the business sector in Canada and the United States; partly offset by
- increasing wireless penetration in North America and various unlimited offers launched by wireless operators causing some customers to cancel their landline telephony services for wireless telephony services only; and
- a decline in the residential sector in the United States.

CASH FLOW ANALYSIS

Three months ended August 31,	**August 31, 2019**	August 31, 2018 (1)	Change
(in thousands of dollars, except percentages)	**$**	$	%
Cash flow from operating activities	**314,905**	268,679	17.2
Cash flow from investing activities	**(145,740)**	(196,627)	(25.9)
Cash flow from financing activities	**(56,791)**	(62,329)	(8.9)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(1,405)**	(63)	—
Net change in cash and cash equivalents from continuing operations	**110,969**	9,660	—
Net change in cash and cash equivalent from discontinued operations	**—**	13,133	(100.0)
Cash and cash equivalents, beginning of the period	**448,424**	63,559	—
Cash and cash equivalents, end of the period	**559,393**	86,352	—

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

OPERATING ACTIVITIES

Fiscal 2019 fourth-quarter cash flow from operating activities increased by 17.2% compared to the same period of the prior year mainly from:

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

INVESTING ACTIVITIES

Fiscal 2019 fourth-quarter investing activity increased by 25.9% compared to the same period of the prior year mainly due to the acquisition of spectrum licenses in the Canadian broadband services operations in the comparable period of the prior year combined with a decrease in acquisitions of property, plant and equipment.

ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2019 fourth-quarter acquisitions of property, plant and equipment decreased by 10.9% (11.4% in constant currency) compared to the same period of fiscal 2018 mainly due to the decrease of capital expenditures in the Communications segment.

FREE CASH FLOW

Fiscal 2019 fourth-quarter free cash flow increased by 70.6% (71.0% in constant currency) compared to the same period of the prior year mainly as a result of the following:

- higher adjusted EBITDA;
- the decrease in acquisitions of property, plant and equipment; and
- the decrease in financial expense.

FINANCING ACTIVITIES

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

Three months ended August 31,	2019	2018	Explanations
(in thousands of dollars)	$	$	
Decrease in bank indebtedness	(5,000)	(10,738)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	(4,980)	(17,333)	Repayments of the revolving facilities in the fourth quarter of fiscal 2018.
Repayments of long-term debt	(5,656)	(5,553)	Not significant
Increase in deferred transaction costs	(1,778)	—	Not significant.
	(17,414)	(33,624)	

DIVIDENDS

During the fourth quarter of fiscal 2019, a quarterly eligible dividend of $0.43 per share was paid to the holders of subordinate and multiple voting shares, totaling $6.9 million, compared to a quarterly dividend paid of $0.39 per share, or $6.4 million in the fourth quarter of fiscal 2018.

NORMAL COURSE ISSUER BID - Cogeco Inc.

During the fourth quarter of fiscal 2019, Cogeco purchased and cancelled 29,332 subordinate voting shares with average stated value of $0.2 million for a total consideration of $2.8 million.

NORMAL COURSE ISSUER BID - Cogeco Communications Inc.

During the fourth quarter of fiscal 2019, Cogeco Communications purchased and cancelled 169,800 subordinate voting shares with average stated value of $4.7 million for a total consideration of $17.9 million.

11. FISCAL 2020 FINANCIAL GUIDELINES

11.1 CONSOLIDATED

Cogeco maintains its fiscal 2020 preliminary financial guidelines as issued on July 10, 2019.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. Moreover, the financial guidelines exclude possible acquisitions and do not take into consideration the recent CRTC costing decision setting final rates for aggregated wholesale Internet services for resellers, since these new rates are being disputed in court. For further details, please consult the "Business developments" subsection.

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

	Projections (prior to the adoption of IFRS 16) (1)	Actual
	Fiscal 2020 (2)	Fiscal 2019
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue	Increase of 2% to 4%	2,444
Adjusted EBITDA	Increase of 2.5% to 4.5%	1,132
Acquisitions of property, plant and equipment	$465 to $485	439
Free cash flow(3)	Increase of 5% to 11%	469

(1) Fiscal 2020 financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*. However, management does not expect the adoption of IFRS 16 will have a significant impact on its results of operations, and therefore financial guidelines should not be impacted.

(2) Fiscal 2020 financial guidelines are based on a USD/CDN exchange rate of 1.3255 USD/CDN.

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

11.2 COMMUNICATIONS SEGMENT

Cogeco Communications maintains its fiscal 2020 preliminary financial guidelines as issued on July 10, 2019.

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

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

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

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

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

	Projections (prior to the adoption of IFRS 16) (1)	Actual
	Fiscal 2020 (2)	Fiscal 2019
(in millions of dollars, except percentages)	$	$
Financial guidelines		
Revenue	**Increase of 2% to 4%**	2,332
Adjusted EBITDA	**Increase of 2.5% to 4.5%**	1,108
Acquisitions of property, plant and equipment	**$460 to $480**	435
Capital intensity	**19% to 20%**	18.6%
Free cash flow[3]	**Increase of 5% to 11%**	454

(1) Fiscal 2020 financial guidelines presented as percentages reflect increases over projections for fiscal 2019 prior to the adoption of IFRS 16, *Leases*. However, management does not expect the adoption of IFRS 16 will have a significant impact on its results of operations, and therefore financial guidelines should not be impacted.

(2) Fiscal 2020 financial guidelines are based on a USD/CDN exchange rate of 1.3255 USD/CDN.

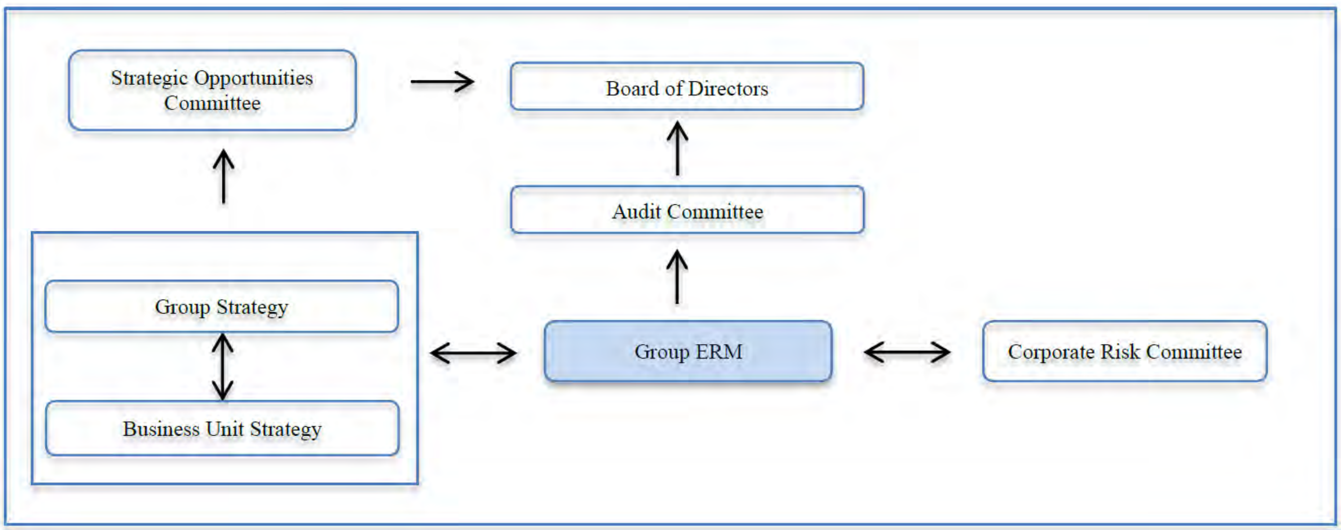
(3) The assumed current income tax effective rate is approximatively 12%

12. UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines the principal risks and uncertainties which Cogeco and its subsidiaries currently believe to be material. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are currently anticipated. If any of the following risks, or any other risks and uncertainties that the Corporation and its subsidiaries have not yet identified or that they currently consider not to be material, actually occur or become material risks, the Corporation and its subsidiaries' businesses, guidance, prospects, financial condition, results of operations and cash flows and consequently the price of the subordinate voting shares could be materially and adversely affected.

ENTERPRISE RISK MANAGEMENT

The Corporation has a formal integrated enterprise-wide risk management ("ERM") program structured and governed based on the widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. The ERM approach is supported by a Risk Governance Ecosystem as illustrated below.



The Risk Governance Ecosystem solicits input from corporate functions as well as business units and feeds the strategic planning process.

Annual Consolidated Risk Assessment	On an annual basis, principal business risks that could impact the Corporation are identified during an Executive Risk Workshop. Risks considered are not only strategic, operational, financial and compliance in nature but also environmental, social and governance ("ESG") related. In addition, during this workshop, the Risk Appetite Framework, guiding strategic decision making, is reviewed and updated, as needed. Critical output from this workshop is used in the preparation of the corporate strategy and presented to the Board of Directors as part of the strategic planning process.
Business Unit Risk Assessment	As part of the strategic planning process, business units identify the principal risks specific to their business unit as well as mitigation plans.
Risk Oversight	On an annual basis, the Board, with the Audit Committee, reviews the principal business risks facing the Corporation and its subsidiaries as well as the mitigation measures implemented to manage these risks. On a quarterly basis: - the Corporate Risk Committee, comprised of the CEO and his direct reports, governs risk management. - the Audit Committee oversees the ERM activities and the operational and financial risks associated with significant programs or projects of the Corporation.
Other Risk Related Activities	A risk universe and trends universe (e.g. industry, technology, regulatory, social, economic, political) is maintained by the ERM function and updated through exchanges with members of the business units covering risks and key trends that could impact our risk assessment and strategic planning.

12.1 COMPETITIVE RISKS

The industries in which we operate are very competitive, and we expect competition to increase and intensify from a number of sources in the future. Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition, a larger base of customers while some are digital native organizations with lower cost structures due to the absence of legacy systems to maintain. In addition, some competitors are pursuing an overbuild strategy, i.e building a network in areas where a competitor network already exists, in certain markets to grow their footprint. Our competitors may be able to adapt more quickly to new or emerging technologies, changes in customer expectations, and may also be able to develop services comparable or superior to those offered by us at more competitive prices. Aggressive pricing and market offers of our competitors could result in pricing pressures and increased customer acquisition and retention costs and could put pressure and adversely affect our businesses and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future due to increased competition from current competitors or from new entrants taking bold actions to establish, sustain or increase their position in the market. Our businesses and results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our customer base while maintaining our adjusted EBITDA margins and desired capital intensity.

***We face intensifying competition in the Canadian broadband services segment of Cogeco Communications from several large integrated communications service providers and Internet resellers*.**

In Canada, there are several terrestrial, wireless and satellite transmission technologies available to deliver a wide range of communications services to residential homes and to commercial establishments with varying degrees of flexibility and efficiencies, which compete with our Internet, video and telephony services. BCE Inc. ("Bell"), the largest competitor, offers through its various operating entities similar competitive voice, Internet and video services to residential as well as to business customers in the provinces of Québec and Ontario through a combination of wireline and satellite platforms throughout our network footprint. TELUS Communications Company ("Telus") offers through its various operating entities similar competitive voice, Internet and video services to residential as well as to business customers in Eastern Québec.

Bell and Telus are replacing older telephone systems with new fibre-to-the-home ("FTTH") networks to deploy IP television services in their service areas. The fibre optic technologies they are using are capable of carrying two-way video, Internet and telephony services, each of which is comparable to the services Cogeco Connexion offers.

We also compete within our network footprint in Canada with several other telecommunications service providers. Shaw Direct, the direct-to-home satellite service of Shaw Communications Inc. ("Shaw") competes for video customers throughout our footprint.

Bell, Telus, Rogers, Vidéotron and Shaw are actively marketing their wireless telecommunications services within our network footprint, increasing competition between wireless technology and wireline broadband access in our territories.

Cogeco Communication's subsidiary, Cogeco Connexion, also faces competition from several resellers who have subscribed to the wholesale third party Internet access ("TPIA") service mandated by the Canadian Radio-Television and Telecommunications Commission ("CRTC") in order to provide Internet, telephony and to a lesser extent, video services to their customers. Resellers' market share is growing, especially in Québec and Ontario, the two regions in Canada where the resellers have been more active and are marketing their services. The recently CRTC mandated revised wholesale rates, if enforced, will provide TPIAs with a cost structure which could lead to increased competition either from established TPIA providers or new entrants. Cogeco Connexion also faces competition from satellite-based access Internet services.

Certain Canadian municipalities also plan to build and operate their own broadband networks through public/private partnership arrangements in competition with the Corporation in some of its serving areas.

Some of the large integrated communications service providers we compete with in Canada also own broadcast content assets.

Some of the large integrated communications service providers we compete with in Canada such as Bell, also own broadcast content assets. This vertical integration could result in content being withheld from us or being made available to us at inflated prices or unattractive terms. Potential anti-competitive practices in dealings between programming content owners and distributors are discussed in the "Regulatory Risks" section below.

Intensifying competition in the American Broadband services segment of Cogeco Communications.

Our main competitors in the United States for video services are direct broadcast satellite ("DBS") providers, DirecTV, Inc. (owned by AT&T) and Dish Network. We also face increasing competition for our video services from phone companies with fibre networks, such as AT&T U-verse, Verizon FiOs and Frontier Communications Corporation, as well as other cable companies, such as Comcast. We are also facing intensified competition from overbuild strategies in our Florida, Connecticut and New Hampshire markets.

Our competitors for Internet services primarily offer direct subscriber line ("DSL"), and, to a lower extent fiber-to-the-node ("FTTN") and FTTH. We also face little competition from wireless Internet service providers. AT&T is also promoting its DirecTV service with its wireless products.

Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as wireless and VoIP providers. Our business services face competition from a variety of service providers, in addition to cloud, hosting and various applications.

We face competition in both the Canadian and American Broadband services segments of Cogeco Communications from over-the-top ("OTT") content providers.

Cogeco Connexion and Atlantic Broadband also face competition from OTT video content providers. The majority of households use OTT services such as Netflix as they complement wired video services. The OTT trend is expected to continue and we could be materially adversely affected if, as a result, a significant number of video customers disconnected their services or reduced their video spending and we may not be able to make up for the loss of revenue associated with this migration.

Some of our main video competitors, such as Bell in Canada or AT&T/DirecTV and Dish Network in the United States, have entered the OTT sphere with their own OTT services. Additionally, several programming networks distributed by the Corporation offer direct-to-consumer products, such as Sportsnet in Canada or HBO Now, CBS All Access and Showtime Anytime in the United States. The Corporation enables the delivery of certain OTT services on its set top boxes, but does not own any OTT platform.

An increased number of consumers are switching from landline telephony to wireless and IP based phone services.

An increased number of fixed phone customers are replacing fixed lines with wireless and IP based phone services. This trend is largely the result of the increasing wireless penetration rate in North America and the various unlimited offers launched by wireless operators. We do not currently offer wireless services and, therefore, further erosion of fixed phone customers could have a material adverse effect on our business, financial condition, prospects and results of operations.

Wireline to wireless home broadband substitution will likely increase.

An increasing number of wireline Internet customers are expected to replace wireline broadband Internet access with wireless Internet access with the launch by Canadian wireless operators, of faster speeds and unlimited data packages at attractive price points. We do not currently offer wireless services and, therefore, further erosion of traditional Internet customers moving away from wireline Internet access towards wireless broadband access could have a material adverse effect on our business, financial condition, prospects and results of operations.

We do not currently offer "four play" bundles that include wireless communications.

Although we provide "double play" and "triple play" bundled services in Canada and the United States, with various combinations of Internet, video and landline telephony services being offered at bundled prices, we do not offer "four play" bundled services which include wireless communications.

We remain interested in offering wireless services to complement our service offerings to customers within our current footprint and grow our share of our customers' telecommunications spending. We are aiming to enter the wireless space on a limited basis on the condition that it is a profitable business and intend to invest prudently in line with our priorities and within our financial means. We believe that the model that is most likely achievable, while satisfying our profitability requirements is a hybrid model that would consist of segments relying on the mobile virtual network ("MVNO") model where we would use an incumbent’s networks to offer wireless services as well as some areas where we may be a facilities-based operator. We have started devoting relatively small amounts of capital towards accumulating spectrum to cover part of our territory, which we may use in such a hybrid MVNO model or offer out in a partnership arrangement. However, we may not be able to secure on a timely basis the appropriate arrangements required to launch a wireless operation. Also, launching a wireless operation may result in downward pressure on adjusted EBITDA margins and free cash flow.

12.2 BUSINESS RISKS

STRATEGIC PLAN AND BUSINESS STRATEGIES

Our ability to successfully implement our business strategies described above in section "Corporate objectives and strategies" of this report in a timely and coordinated manner and to realize their anticipated benefits could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating expenses, regulatory developments, general economic conditions, increased competition, technological changes and the other factors described in this "Uncertainties and Main Risk Factors" section. Failure to successfully implement and execute our strategic plan and business strategies in a timely and coordinated manner could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations and on our ability to meet our obligations, including our ability to service our Indebtedness.

PROGRAMMING COSTS

The financial performance of our businesses depends in large part on our ability to sustain adjusted EBITDA margins by tightly controlling operating expenses. One of the largest drivers of such operating expenses is the programming license fees we pay to television programming service suppliers. The programming license fees of certain television programming services have increased significantly in Canada and in the United States in recent years, particularly for sports programming. Future increases in programming license fees could have a material adverse effect on our business and results of operations.

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Our largest programming supplier is Bell, with approximately 38% of our overall programming costs. Bell is vertically integrated and is also our largest competitor. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically viable, therefore the number of video channels may change from year to year.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been fully concluded. We may be subject in upcoming Canadian programming services renewals to regulatory dispute resolution proceedings which could either help us obtain reasonable affiliation terms or compel us to pay increased programming license fees or otherwise subject us to adverse competitive conditions.

While the programming costs in the United States showed some signs of stabilization in the last year, our ability to access content at reasonable rates, terms and conditions could be negatively impacted by the changing content landscape resulting from the increasing number of company mergers such as AT&T and Time Warner, Disney and 21st Century Fox, in 2018 and the pending Viacom and CBS merger expected in late 2019 early 2020. This ongoing consolidation activity could enable combined companies to leverage popular content and negotiate better terms with us in the future or require that we carry their less popular services, thus further increasing our costs. In addition to the increase in programming costs, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages.

Some of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors.

We are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of local broadcast programming to our customers. We obtain most local broadcast programming through retransmission consent agreements. Most agreements require payment of a flat fee per customer for retransmission of the broadcaster's primary signal. In most cases these agreements also involve the exchange of other types of considerations, such as limited grants of advertising time and the carriage of multicast signals. The landscape continues to evolve with the pending purchase by Sinclair Broadcasting Group's, the largest affiliate broadcaster, of select regional sports networks further enhancing its leverage over programming distributors. We expect to continue to be subject to significant increases in fees by broadcasters in exchange for their required consent for the retransmission of local broadcast programming to customers.

The inability to acquire and provide content to our customers that meets their expectations in terms of quality, format, variety of programming choices, packages and platforms at competitive rates which customers can afford to pay, could have a material adverse effect on our businesses as well as on our adjusted EBITDA margins should we fail to pass on the incremental increase in costs of programming to our customers.

CUSTOMER EXPERIENCE

The Corporation strives to maintain respectful and transparent relationships with its customers by providing a superior customer service experience and through honest marketing of its products. The loyalty of our customers and their retention depend on our ability to provide a service experience that meets or exceeds their expectations. The Corporation firmly believes that customer service represents a key differentiator and has enacted various programs and actions at its different business units to constantly improve the customer service experience and build upon this reputational capital. In fiscal 2018, Cogeco Connexion launched a new customer management system which involved the data conversion and migration of approximately one million Québec and Ontario residential and business customers. Some difficulties were encountered during the transition to this new system which impacted the customer service experience. The failure to sustain and expand customer relationships through quality customer service could have a material adverse effect on our businesses, financial condition and results of operations.

MEETING CUSTOMER EXPECTATIONS

Consumers continue to shift their media consumption towards digital and online media, mobile devices and on-demand content requiring industry players to increase their efforts in digital content and capabilities in order to compete. Consumers are also responding more and more to personalized content and marketing. In addition, rising OTT fragmentation is triggering a consumer call for aggregation of OTT offerings on a common platform. The Corporation has various on-going initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing our ability to retain current customers and attract new ones. The inability to adapt and evolve our service offerings to respond to changing customer expectations in an increasingly digitized world, new market conditions or disruptive technologies could have a material adverse effect on our businesses, financial condition and results of operations.

MARKETING AND SALES

The evolution of technology has enabled more targeted marketing approaches, initiatives and campaigns, thus changing the dynamics of the competitive environment. The Corporation is evolving its marketing and sales approach to align with customer preferences powered by machine learning and artificial intelligence and automated marketing platform based on a highly segmented outreach. The failure to achieve sales growth targets as a result of inadequate marketing and/or sales strategies, a deficient execution of said strategies or operating difficulties could have a material adverse effect on our business, financial condition and results of operations.

RELIANCE ON THIRD PARTIES

We depend on long-term agreements with a supplier in Canada and a supplier in the United States, for the provision of our telephony services to our residential and business customers.

We currently offer video services to our customers in our Canadian and American footprint through a combination of equipment from various suppliers.

All these suppliers may experience business difficulties, restructure their operations, consolidate with other suppliers, discontinue products or sell their operations to other suppliers, which could affect the future development of our products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-party suppliers or change in suppliers could have a material adverse effect on our business, financial condition and results of operations.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

Cogeco Communications has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with those of Cogeco Communications. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. The integration process after an acquisition may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, business disruption of our other businesses and management's diversion of time and resources. We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that we fail or are unable to uncover and for which the Corporation may be responsible. Depending on the circumstances, pursuing acquisitions may also require that we raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support our existing business operations. Any failure by Cogeco Communications to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect our financial position, financial performance, cash flows, business or reputation.

FOREIGN OPERATIONS

Our American Broadband services activities are carried out by Atlantic Broadband in 11 states along the East Coast from Maine to Florida and represent 42.4% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as differences in political, legal, regulatory and taxation regimes or fluctuations in relative currency values against the Canadian dollar, all of which could have a material adverse effect on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

The fast pace of technological advancements and the digitization within the industry and the workplace have created a shortage of digital skills as industry players compete for the same resources. In addition, employees expectations are evolving requiring comprehensive employee experiences to attract and retain talent. Our success is substantially dependent on our capacity to attract new talent and our ability to retain existing talent and foster continued performance of our employees and executive officers. Many of these employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to our business in order to keep pace with technological change and to avoid losing critical knowledge in the context of the organization’s continued expansion. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could impact our ability to deliver on organizational goals and have a material adverse effect on our growth, business and profitability. The Corporation is actively engaged in fully participating in its employees' professional development and well-being by offering competitive working conditions and through a variety of programs that promote continuous education, a healthy and safe work environment as well as diversity.

LABOUR RELATIONS

Collective bargaining agreements are in place with some of our employees that are renewed from time to time in the normal course of business. The Corporation has been successful to date in negotiating satisfactory collective agreements with unions without significant labour disruption. While the Corporation’s labour relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

12.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES SEGMENT OF COGECO COMMUNICATIONS

Our Canadian and American broadband operations are subject to extensive regulation and policies.

Our Canadian and American broadband operations are subject to extensive and evolving laws, regulations and policies at the federal, provincial, state and local levels. Cogeco Connexion is primarily regulated respectively under the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder while Atlantic Broadband is regulated mainly by the *Communications Act*. In addition, they are both subject to other laws relating to copyright and intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years. Changes to existing laws and regulations, the adoption of new laws and regulations as well as periodic reviews of copyright royalties payable in relation to the use by the Corporation of protected content could have negative financial, operational or competitive consequences on our business, financial condition, prospects and results of operations by increasing our costs, limiting our revenues and/or imposing additional restrictions on our operations.

Regulations and policies are evolving rapidly.

Several recent proceedings and decisions of the CRTC in Canada and the Federal Communications Commission ("FCC") in the United States could have a material adverse effect on our business and results of operations.

Canada

On December 19, 2018, the Copyright Board of Canada issued the rates payable for period 2014-2018 for the retransmission of distant Canadian and US television over-the-air signals in Canada. The 2018 rate established at $1.17 per subscriber per month represented a significant increase over the previous rate and was applied retroactively to 2014. This rate is the interim rate applicable going forward until rates for period 2019-2023 are either settled through negotiations or certified by the Copyright Board. In June 2018, the retransmission collective societies have filed their proposed rates for 2019-2023 asking for increases that range from $8.00 per subscriber per month in 2019 to $9.50 in 2023. The industry has duly opposed these rates. Any such further increase to the royalties payable under the statutory retransmission regime established under the *Copyright Act* could have a material impact on the financial condition and results of operations of the Corporation.

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

On May 15, 2019, the Parliament's Standing Committee on Canadian Heritage released its report on the review of the *Copyright Act*, following its study of remuneration models for artists and creative industries and after conducting hearings with witnesses from various sectors of activities, stakeholders and legal experts. The report contains a set of recommended amendments to the *Copyright Act.* It is difficult to predict if these recommendations will be adopted over time or the extent to which any changes might adversely affect us.

On June 3, 2019, the CRTC released an application guide for the Broadband Fund which will make available up to $750 million over the first five years to support projects aiming to build or upgrade infrastructure for fixed and wireless broadband Internet access services. It also released at the same time the first call for applications for funding projects in 1) eligible satellite-dependent communities located in Northern Canada, or 2) eligible geographic areas in the North West Territories, Nunavut or Yukon. Following an analysis of the published maps outlining the eligible communities and areas for the first call for applications, the Corporation concluded that these communities and areas were not targeted by our network expansion strategy. The next call for applications is expected to be launched in the fall 2019. Other governmental subsidies are expected to be made available in the next fiscal year through federal or provincial programs such as the Universal Broadband fund (ISED) and the Québec Haut Débit program. It is difficult to predict how much funds the Corporation will be able to secure from these programs and the impact it may have on its business and affairs.

On June 5, 2019, Innovation, Science and Economic Development Canada ("ISED") released its decision regarding Millimetre wave ("mmWave") spectrum to support 5G, which appears as a generally favorable decision as it frees up considerable mmWave spectrum for future 5G deployment. On July, 23, 2019, ISED announced that it would move ahead with the creation of smaller license Tier 5 license areas for spectrum in order to support more efficient use of spectrum resources and encourage network rollout in rural and remote areas. In addition, ISED also decided to move to a consumption-based license fee model for fixed point to point systems which will reduce significantly the license fees to be paid for operating these systems in future. ISED is currently reviewing the allocation rules of the 3500 MHZ spectrum with an auction expected to be held in 2020.

On June 18, 2019, the Federal Court of Appeal ("FCA") granted to Québecor the right to appeal a decision issued by the CRTC compelling TVA Group Inc. to continue providing its programming service, TVA Sports, to Bell TV customers until they can reach an agreement concerning the carriage and distribution terms of TVA Sports or until the CRTC renders a decision on matters not resolved by agreement. This order is commonly referred to as a "standstill" order and is made to enforce the "standstill" rule in the *Discretionary Services Regulations*. Québecor is arguing that the CRTC does not have the jurisdiction pursuant to the *Broadcasting Act* to interfere in commercial relations and force a party to maintain the distribution of a television signal during a dispute and that the standstill rule conflicts with the *Copyright Act*. Should the court confirm Québecor's position, this decision would have negative consequences for the Corporation as it would eliminate negotiation safeguards to ensure that broadcasting distribution undertakings ("BDUs") or Canadian programming service licensees are not threatened with the withdrawal of popular programming services or forced to accept unreasonable terms and conditions while disputes are pending before the CRTC. The Corporation has filed leave to intervene before the Federal Court of Appeal on September 26, 2019 and will seek to have the court declare that the "standstill" rule is within the jurisdiction of the CRTC and does not conflict with the Copyright Act. Other motions for intervention have been filed by the Attorney General of Canada and Telus. In the absence of such negotiation safeguards, contained in *Discretionary Services Regulations* and in the *Wholesale Code* adopted in 2016 to govern the commercial arrangements between BDUs and programming services and in conditions of license of licensees, there is a risk that vertically integrated competitors may abuse their market power and impose anticompetitive terms for the distribution of their programming services or attempt to withhold content from us.

On June 26, 2019, the Review Panel appointed in 2018 by the Federal Government to review and modernize the *Broadcasting Act, the Radiocommunication Act* and the *Telecommunications Act (the "Acts")*, released its preliminary report, after having held working sessions and meetings with industry stakeholders throughout the year. The report entitled "What We Heard" summarizes the input received from Canadians representing a wide range of views from diverse groups of interested parties. The report contains neither recommendations nor conclusions on any issue in its mandate. The panel is expected to report to the Government with its recommendations by January 31, 2020. It is difficult to predict how the *Acts* will be amended, and if so, when these changes will be implemented or how they will be construed by the relevant courts or the extent to which any changes might adversely affect us.

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications, along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the FCA and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements. The outcome of these proceedings and the resulting wholesale rates applicable to Internet resellers could have a material adverse effect on our business, financial condition and results of operations.

United States

The FCC has taken since 2017 a less interventionist approach to regulatory requirements. Such approach, however, could negatively impact the Corporation in certain areas, such as carriage rights for broadcast stations and programming networks. Additionally, the recent increase in the consolidation of broadcast station ownership, as well as the consolidation of vertically-integrated communications service providers with distribution and programming ownership interests could negatively impact our ability to obtain carriage rights on reasonable, non-discriminatory terms and conditions.

Following the issuance by the FCC of its *2018 Restoring Internet Freedom Order* removing many regulatory requirements from broadband service providers by reclassifying broadband service from a telecommunications service to an information service, several federal and state legislators have introduced legislation to reinstate some regulatory requirements, which would increase oversight and regulation of the industry. Some have even advocated for the creation of public broadband Internet service providers. Any such legislation could reduce our revenues and restrict the way we offer products and services, as well as increase competition from publicly-funded service providers.

The STELA Reauthorization Act of 2014 ("STELARA"), which amended certain provisions of the Communications Act governing the retransmission of distant broadcast signals, is set to expire at the end of 2019. STELARA included certain provisions that protect programming distributors, like Atlantic Broadband, from unfair treatment by broadcast stations, including: 1) prohibiting broadcast stations and programming distributors from entering into exclusive retransmission consent agreements, 2) requiring broadcast stations and programming distributors to negotiate retransmission agreements in good faith, 3) prohibiting joint retransmission consent negotiations by same-market broadcast stations, and 4) prohibiting broadcast stations from limiting the ability of programming distributors to carry out-of-market significantly viewed stations. Broadcasters are urging Congress to allow STELARA to expire, which would remove the foregoing protections. In the past, Congress has used STELARA as a means to pass other related provisions governing the retransmission of broadcast signals. If Congress allows STELARA to expire or renews STELARA with more onerous provisions, Atlantic Broadband's ability to secure the right to retransmit broadcast stations could be negatively impacted, and its costs could increase significantly.

Certain federal and state governments have passed or proposed legislation to award funding for new broadband infrastructure. If such legislation does not limit funding to unserved areas, competitors could receive funding to expand their broadband networks within or near Atlantic Broadband's service areas.

The FCC recently launched a proceeding to reallocate C-Band spectrum for 5G services and other users. The C-Band consists of 500 MHz of spectrum. Atlantic Broadband and other MVPDs currently use this spectrum for the receipt of programming signals. If the final regulations allow other users to utilize the same spectrum, filters would be necessary to prevent 5G interference, which could result in poor quality resolution. If current users are required to find alternative means of receiving signals, Atlantic Broadband could incur significant costs.

Congress introduced on July 25, 2019 a bipartisan bill titled the Modern Television Act of 2019. This bill would repeal retransmission consent and compulsory copyright licenses, as well as several other outdated statutory provisions. This would allow free-market contract negotiations for the carriage of broadcast signals and corresponding copyright licenses, which could give the broadcast stations considerable leverage in contract negotiations. This bill is broad sweeping and could affect Atlantic Broadband in multiple areas, depending on how the bill progresses through Congress.

We must obtain access to support structures and municipal right of ways for our broadband operations.

We require access to the support structures of provincial and municipal electric utilities and telephone companies and to municipal rights of way to deploy our broadband network. Where access to municipal rights of ways in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act*. Access to the support structures of telephone companies which we compete with is provided on a tariff basis approved by the CRTC. In the case of provincial and municipal electric utilities, access to those support structures is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. We have entered into comprehensive support structure access agreements with all of the major electric companies and all of the major telecommunications companies in our network footprint.

In the United States, the *Communications Act* requires telephone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or right-of-way controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the FCC, or, alternatively, by states that certify to the FCC that they regulate pole attachments. Five states in which Atlantic Broadband has cable systems have certified that they regulate pole attachments. Make ready work, which is the strengthening of the poles and/or relocation of other facilities on the poles to accommodate additional attachments, often takes several months to years to complete, which delays the company's network expansion. The FCC recently adopted regulations, which allow those seeking new attachment rights, in certain cases, to move existing cables and accessories to accommodate the new attachments, which could result in service interruptions and damage to the company's network. There is always the possibility that the FCC or a State could adopt additional regulations governing pole attachments, including permitting the increase of pole attachment rates paid by cable operators.

Additionally, depending on whether the state regulates itself or delegates authority to municipalities to regulate, Atlantic Broadband is required to obtain a franchise from states or local municipalities in order to use the public rights-of-way and provide cable or telecommunications services. Such franchises may involve the payment of franchise fees, the provision of public, educational and governmental access channels, the provision of institutional networks and free services to municipal buildings, schools and libraries. In August 2019, the FCC issued its Final Notice and Third Report and Order in the Implementation of Section 621(a)(1) of the Cable Communications Policy Act of 1984 ("Order"), in which it restricted municipalities from regulating non-cable related services, such as high-speed data, and required that certain costs be included within franchise fees paid by operators to franchising authorities. Federal law caps franchise fees at 5% of the gross revenues derived by operators from the provision of cable service within the franchise area. If this Order is challenged or if legislation is introduced to give state and local governments more regulatory authority, it could increase our costs and delay access to the rights-of-way.

If we have to support increasing costs in securing access to support structures needed for our broadband network or are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

12.4 TECHNOLOGY RISKS

NETWORK FAILURE

The Corporation manages network failure risks through a Business Continuity Planning program as well as through a Disaster Recovery Policy and related procedures. Operational risk assessments are also conducted on an annual basis minimally to consider anticipated and unanticipated events (including climate-related incidents) in order to protect the viability of all critical business processes.

In Canada, Cogeco Connexion has a backup system for retransmission through another headend or a mobile headend if one of our headends fails. In the United States, Atlantic Broadband also has emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their signals as a backup.

A failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure and result in significant customer dissatisfaction, loss of revenue and potential litigation, depending on the severity of the outage condition.

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

We continuously maintain, upgrade or replace our network, infrastructure and IT systems in order to optimize our networks and systems, increase the speed of our Internet service and improve and provide new or enhanced services that meet the needs and expectations of our customers. If we are unable to do so because of capital or other constraints, this may materially adversely affect our ability to compete and negatively impact business and financial performance.

DEPENDENCE ON TECHNOLOGY SYSTEMS

Our daily operations are highly dependent on information technology systems and software, including those provided by certain third party suppliers. Our business is dependent on our payroll, customer billing, service provisioning, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse effect on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely affect our operational results and financial position. During the third quarter of fiscal 2018, Cogeco Connexion implemented a new customer management system, which replaced 22 legacy systems in Québec and Ontario. Some difficulties were encountered during the transition to this new system, such as billing errors, service provisioning issues and congestion in our contact centers, which negatively impacted the customer service experience and revenue and generated costs overruns. Any future difficulties from system replacements or upgrades could damage our brand and reputation and have a material adverse effect on our results of operations, compliance with regulatory requirements, financial performance and future business prospects.

CYBER THREATS

Cybersecurity breaches have grown in frequency and complexity over recent years in the public and private sectors. Security measures are in place to safeguard against cybersecurity breaches such as firewalls, site monitoring and intrusion detection software. We continue to enhance our cyber resilience posture, the overall governance over information security and the security awareness of our employees through continuous training and continuous improvement efforts surrounding the security of our IT systems, the controls within our IT systems and our business processes. Our Cyber Security Framework and our Information and Cyber-Security Policy are based on the internationally recognized National Institute of Standards and Technology framework.

During fiscal 2019, the Corporation did not experience any major cyber breach. Despite the fact that we are protecting critical data and infrastructure from cyberattacks, theft, unauthorized usage and disclosure, viruses, sabotage and other cyber threats, there can be no certainty that we will not be the subject of data breaches which could have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We do not disclose any customers' personal information without the consent of our customers, unless otherwise required by law. In the course of our business, we collect, use and manage various data about our customers, including sensitive personal information but policies, procedures, guidelines, business rules and safeguards are in place to ensure that the personal information of our customers is protected and treated appropriately under applicable privacy laws. Each business unit within the Corporation has implemented security measures that are designed to safeguard personal information against unauthorized access, such as firewalls, site monitoring and intrusion detection software. Personal information will be retained only as long as necessary for the fulfilment of the purposes for which it was collected and for which consent was received. The Corporation is committed to providing transparency to its customers with respect to the Corporation's practices in handling their information.

Each year, our employees must agree to abide by the rules of our Code of Ethics and the Information and Cybersecurity Policy and are required to certify in writing that they will comply with them. Existing and proposed privacy legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada and the United States may impose limits on our collection, use and disclosure of certain kinds of information.

Any malfunction of our systems or security breaches resulting in unauthorized access to, loss or use of, customer and employee personal information could result in the potential loss of business, damage to our market reputation, litigation, regulatory scrutiny and penalties.

12.5 FINANCIAL RISKS

CAPITAL COMMITMENTS, LIQUIDITY AND DEBT

Cogeco Communications relies on its free cash flow generated by operations to fund its capital expenditures program and on capital markets to refinance its indebtedness and further grow its business through acquisitions. Capital markets are volatile and Cogeco Communications may not be able to access them at reasonable conditions if its credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity, and more restrictions on the Corporation's operations.

We may be unable to generate sufficient cash flow and maintain an adequate liquidity position to ensure and preserve the Corporation's financial stability/solvency and fund strategic imperatives as well as operational and financial obligations of the business.

CURRENCY AND INTEREST RATES

Our financial results are reported in Canadian dollars and a significant portion of our revenue, operating expenses and capital expenditures are realized in US dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar during a given financial reporting period would result in variations on our operating results and financial condition. Although a significant portion of our indebtedness, which is denominated in US dollars, serves as hedges of net investments in foreign operations, our revenue, adjusted EBITDA and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations.

Interest rate volatility can also impact floating interest rate instruments and have a material adverse effect on our financial performance.

CREDIT RATINGS

Credit ratings issued by rating agencies can affect the availability and terms of the Corporation's financings. A reduction in the Corporation's credit ratings, particularly a downgrade below investment grade of secured debt currently rated as investment grade, could materially adversely affect our cost of capital and access to capital.

TAXATION MATTERS

Our business operations are subject to various tax laws and regulations. These tax laws and regulations are subject to frequent changes and evolving interpretation. While we believe we have adequately provided for all taxes based on the information available to us, the calculation of taxes requires significant judgment in interpreting laws and regulations. A failure to accurately assess and record taxes could result in material changes to tax amounts recorded and an assessment of interest and penalties having a material adverse effect on financial results.

Changes to Canadian and foreign tax policies in the tax jurisdictions where we are present may also have a material adverse effect on our current financial structure and the level of our future tax costs and liabilities.

12.6 ECONOMIC CONDITIONS

We are affected by general economic conditions, consumer confidence and spending, and the demand for our products and services. Adverse general economic conditions, such as economic downturns or recessions leading to a declining level of retail and commercial activity could have a negative impact on the demand for our products and services. More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of our products and services or discontinuing using them, and a decline in the creditworthiness of our customers, which could increase our bad debt expense.

12.7 HUMAN-CAUSED AND NATURAL THREATS TO OUR NETWORK, INFRASTRUCTURE AND SYSTEMS

In the event of natural disasters, terrorist acts or other catastrophic occurrence, either natural or man-made, our ability to protect our network, infrastructure, including customer data, and to maintain ongoing operations could be significantly impaired. Although we have business continuity and disaster recovery plans and strategies in place, they may not be successful in mitigating the effects of a natural disaster, terrorist act or catastrophic occurrence which could have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks.

CLIMATE CHANGE

The effects of global climate change are increasing the severity and frequency of natural threats on our business, such as weather-related events, and may result in increased operational and capital costs. Certain of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's operations in Florida. Some of the more significant climate-related risks that were identified include: 1) increased operational costs due to increase in fuel and energy prices coming from carbon taxes and cap and trade programs; and 2) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns. For example, increased temperatures could impact our network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitations could have a negative impact on the physical network infrastructure which could affect the delivery of service to our customers. Hurricanes and cyclones could impact or destroy the facilities or portions of the network and could also impact our insurance-related expenses. Impacts to our supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

Climate-related risks are mitigated through business continuity and disaster recovery plans and strategies as well as through the implementation of energy efficiency initiatives that will contribute to the reduction of operational costs (refer to the "Corporate Social Responsibility" section). The magnitude of the effects of climate change could be unpredictable and therefore, our plans may not successfully mitigate the consequences of a natural disaster. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

12.8 COMMUNITY ACCEPTANCE RISKS

The Corporation is committed to taking part in developing communities. Our markets cover many rural areas and smaller centres. By bringing affordable broadband services to underserved markets, we make an important contribution to their economic and social development. The availability of broadband services at competitive prices promotes job creation by local businesses by helping them become more competitive. Moreover, our network investments help companies establish operations, expand and diversify. While call centres are often outsourced in our industry, we are committed to providing our customers with local customer service agents from the communities where we operate. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of their communities. In 2019, the Corporation contributed $13.7 million in cash and in-kind through donations and sponsorships, mostly contributing to culture, education, health and wellbeing. Lastly, YourTV/NousTV, our unique community television channels, are a powerful complement to our donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to each of the communities we serve and are funded by a regulated percentage of our gross video revenues.

Failure to maintain our community acceptance may affect our capacity to attract and retain customers therefore impacting our revenue generation and growth prospects. Furthermore, it may result in losing our social license to operate and our capacity to remain competitive in the market.

12.9 ETHICAL BEHAVIOR RISKS

Maintaining high ethical practices throughout the Corporation is particularly important in the context of the Corporation's continued expansion. The Corporation's Ethics Steering Committee, comprised of representatives from Human Resources, Legal, Finance and Internal Audit functions, provides executive oversight of our overall Ethics program, including the review of our Code of Ethics and related policies. Besides having a comprehensive Code of Ethics, the Corporation has an anonymous and confidential Ethics Line which allows employees and other individuals to report any perceived or actual instances of violations to the Corporation Code of Ethics and employees are also encouraged to use this tool to seek advice about ethical and lawful behaviour. In order to increase employee's awareness on ethics, a formal on-line training on the Code of Ethics is mandatory for all new employees and Board members and must be completed every two years subsequently. In order to constantly promote awareness around ethics related issues, the Corporation issues an ethics newsletter to all employees twice per year. Despite these efforts, the Corporation may experience ethics breaches which will not only adversely affect our reputation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

12.10 OWNERSHIP RISKS

We are controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri and Marie-Jeanne Audet (the "Audet Family"), through its ownership of Cogeco's multiple voting and subordinate voting shares. Both Cogeco Communications and Cogeco are reporting issuers in Canada with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between Cogeco Communications and Cogeco, all cable television undertakings must be owned or controlled by Cogeco Communications. Cogeco is otherwise free to own and operate any other business or to invest as it deems appropriate. It is possible that situations could arise where the respective interests of the Audet Family and shareholders or other stakeholders of Cogeco and of the shareholders or other stakeholders of Cogeco Communications could differ and that the interests of these shareholders or stakeholders be adversely affected.

12.11 LITIGATION RISKS

We are involved in various litigation matters arising in the course of our business. The outcome of these claims or litigations is uncertain and may adversely affect our reputation, results of operation, liquidity or financial condition. Based on information currently known to us, we do not expect any of these claims and proceedings, individually or in total, to the extent not provided for through insurance or otherwise, to have a material adverse effect on our business, results of operations or financial condition.

13. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

13.1 OVERVIEW

The Corporation has designed a corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. Concretely, this means we seek to integrate practices which improve the environmental and social impacts of our operations while ensuring the Corporation's continued growth. The CSR program integrates our corporate social responsibility objectives articulated around five pillars:

13.2 CSR GOVERNANCE

The CSR function is under the purview of the CSR Steering Committee that reports twice a year to the Corporate Governance Committee of the Board of Directors. The CSR Steering Committee, which is composed of executives from all business units, is responsible for reviewing the CSR Policy, identifying top risks, setting objectives and ambitions and monitoring CSR performance.

The CSR function is held at a corporate level and is headed by the Vice President, Enterprise Strategy and Social Responsibility. This vice presidency reports to the Senior Vice President and Chief Technology and Strategy Officer who reports to the President and Chief Executive Officer. The Vice President, Enterprise Strategy and Social Responsibility is responsible for the roll-out of corporate strategies and initiatives to promote the CSR principles and ultimately support the conduct of business in a socially responsible and ethical manner. Executives hold the business units accountable for implementing the initiatives and strategies defined by the CSR Steering Committee, including their business unit specific CSR action plans. The CSR team facilitates the integration of all business units' CSR initiatives.

The Corporation's CSR Policy, Code of Ethics and Supplier Code of Conduct together form the framework of our CSR Program.

13.3 FISCAL 2019 HIGHLIGHTS

To support the achievement of our CSR goals, we have developed key performance indicators for environment, social and governance ("ESG") objectives. During fiscal 2019, key initiatives of the CSR Program were rolled-out to our business units, namely Atlantic Broadband, Cogeco Connexion and Cogeco Media. Here below are some examples of the CSR initiatives that were deployed in fiscal 2019:

ENVIRONMENTAL HIGHLIGHTS

ACCOMPLISHMENTS

- 40% reduction of our Greenhouse Gas Emissions ("GHG") emissions on a per revenue basis compared to fiscal year 2014, surpassing our initially set commitment of 10%;
- 50% of residential customers receiving electronic bills at the end of fiscal year 2019, surpassing our commitment by 10%;
- We diverted more than 163,095 kilos of electronic waste from landfill during fiscal year 2019. For 2020 we are committed to ensuring that 100% of applicable facilities have an e-waste management strategy in place;
- We continued to measure and track our GHG emissions from all of the Corporation's business units and we implemented various energy efficiency measures as part of our energy management strategy. Measures put in place include the implementation of a thermostat replacement and temperature control project, HVAC replacement, installation of CO_2 cooling units in Cogeco Connexion's latest headend, and LED lighting retrofit. In terms of vehicle fleet management we replaced 113 vehicles (representing 9% of the Corporation's fleet) with more energy efficient vehicles. We also deployed a new GPS device into 607 vehicles that monitors driver behavior as well as other metrics related to vehicle performance and fuel efficiency. We expect to see an overall 5% reduction on fuel consumption with the new GPS solution;
- We published our seventh CDP (formerly "Carbon Disclosure Project") report;
- Cogeco Connexion voluntarily purchased carbon offsets to cover some of its GHG emissions from fiscal 2019 (300 tons of CO2e). The offsets purchased are Gold Standard and will fund various renewable energy projects outside Canada as well as sensitive natural habitat restoration projects in Québec;
- Approximately 20% of the Corporation's facilities underwent environmental assessments. No significant adverse impact on the environment was identified as a result of that exercise;
- We continued our implementation of the Canadian Energy Efficiency Voluntary Agreement ("CEEVA"). This agreement, developed by Canadian telecommunications companies together with Natural Resources Canada, intends to limit the energy consumption of set top-boxes provided to our customers. With this agreement in place, it is expected that the total annual energy consumption in Canada, with the telecommunications companies' contribution, including Cogeco Connexion, will be reduced and annual carbon dioxide emissions will be cut by over 100,000 tons. This is equivalent to the emissions of over 44,000 sub-compact new vehicles driving 15,000 km/year. By the end of fiscal 2019, 66% of set-top boxes purchased in Canada complied with the CEEVA standards;
- During our first corporate CSR day, we committed to phase out the use of plastic water bottles in all our operations and our employees expressed publicly their own commitment to engage in more responsible consumption habits.

SOCIAL HIGHLIGHTS

ACCOMPLISHMENTS

- We donated over $13.7 million in cash and in-kind donations during fiscal year 2019, representing 3.0%, of Cogeco's pre-tax profit in addition to offered air time for fundraising purposes to several organizations in our communities and territories. Our principal focus areas are health, culture, education and wellbeing;
- Our workplace-related incident rate was below industry averages in the jurisdictions where we operate;
- 36% of managerial level positions in fiscal 2019 were held by women, representing good progress towards our goal of reaching 35% by 2021;
- Cogeco Connexion launched a new employee community involvement program in fiscal 2019 which will be deployed to all business units through fiscal 2020;
- We partnered with Computers for Success Canada to donate used technology in order to support the program's intent to deliver improved access to technology for Canadians at risk of digital exclusion. During fiscal 2019, we donated more than 800 units to Computers for Success Canada;
- We participated in the Connected for Success program, through which we offered affordable Internet in fiscal 2019 to more than 475 low income families in Québec and Ontario;
- We improved wellness conditions by providing healthier food options in our office in Burlington and offering a relaxing room in our office in Trois-Rivières.

GOVERNANCE HIGHLIGHTS

ACCOMPLISHMENTS

- We remained in the top tier of family-controlled dual-class companies listed on a Canadian stock exchange according to the Globe and Mail's Board Games;
- 96% of new and current employees were trained on the Corporation's Code of Ethics;
- Overall, considering both Cogeco Communications and Cogeco, 54% of our Board of Directors members are women;
- Almost 80% of our top suppliers have acknowledged the Corporation's Supplier Code of Conduct or approved our suppliers' CSR standards. We are committed to achieving 100% by the end of fiscal 2020;
- We updated our Code of Ethics and provided online training to both employees and all members of the Board of Directors;
- As part of the purchasing process, we enhanced our CSR questionnaire used in the Request for Proposal process and we conducted ESG audits for suppliers of customer premise equipment;
- The Board has a written Board Diversity Policy to ensure that the Board, as a whole, can look at business issues from a number of different and relevant perspectives.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in January 2018. The Corporation will be releasing its next CSR Report in January 2020. It should further be noted that the Corporation will also provide annual updates relative to its CSR program and related commitments directly on the Corporation's website at corpo.cogeco.com.

RECOGNITIONS

The Corporation's CSR program and related initiatives were recognized during fiscal 2019 as follows:

- For the second year in a row, Cogeco Communications was named to Corporate Knights' 2018 Best 50 Corporate Citizens in Canada;
- Cogeco Communications is part of the cleanest 200 companies in the world ranking given by Corporate Knights;
- Cogeco Communications received the ISS Quality Score environmental badge, which recognizes our environmental disclosure practices;
- Cogeco Communications continues to be part of the *Jantzi Social Index*, consisting of 50 Canadian companies that passed a set of broadly based environmental, social and governance rating criteria;
- Ken Smithard, President of Cogeco Connexion, was recognized by Canada's Clean16 for 2020 as the leader in the Technology & Telecom category. This award is given to individuals who have made a measurable difference in advancing sustainability and clean capitalism in Canada;
- Cogeco Connexion was named to the 2019 Waste Diversion Champions list from REfficient. This award entails that over 100,000 pounds of waste have been diverted.

13.4 CSR IN ACTION

Cogeco's first ever CSR day where awareness on the impacts of our daily activities was raised. The thematic for the day was "Responsible Consumption" and employees from all our business units also shared their own personal commitment towards using more responsible consumption habits.

Cogeco Connexion, in partnership with a local beekeeper, Miels des Trois-Rivières, installed bee hives at the Trois-Rivières regional office. This project, that supports the urban agricultural project initiated in 2017 by the Corporation's employees, contributes to the preservation of biodiversity and should have a beneficial effect on the twenty or so species of trees and shrubs found in the woods near the office. During the first year of operation, 270 kilos of honey were produced and proceeds from its sale were remitted to United Way Mauricie.

14. 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 overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2019, and concluded that they were effective.

15. ACCOUNTING POLICIES

15.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported assets and liabilities amounts, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in Note 2 of the Consolidated Financial Statements. The following accounting policies were identified as critical to Cogeco's business operations.

REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer. Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment;

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is established based on the estimated credit risk of the Corporation's customers, by examining such factors as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history).

BUSINESS COMBINATIONS

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts.

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION OF INTANGIBLE ASSETS

Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the assets' expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used.

PROVISIONS

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate.

CONTINGENCIES

Contingencies such as lawsuits, taxes and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

FAIR VALUE MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is estimated using valuation techniques based on several market data such as interest rates, foreign exchange rates and the Corporation's or counterparties' credit risks.

HEDGE ACCOUNTING

Management uses significant judgment in determining whether the Corporation's financial instruments qualify for hedge accounting, including the assumptions for effectiveness and also in estimating the probability that a transaction will occur, in the case of cash flow hedges of forecasted transaction.

MEASUREMENT OF DEFINED BENEFIT OBLIGATION

The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

SHARE-BASED PAYMENT

Management estimates the fair value of stock-options granted using the Black-Scholes option pricing model. The estimates used by management include expected dividend yields, volatility of the Corporation's share price, the expected life of the option, the risk-free interest rate and the number of options expected to vest. Estimates are also used in the determination of the number of ISUs and PSUs that are expected to vest, which influences their fair value. The fair value of the PSUs is also estimated based on the level of Economic Value creation;

MEASUREMENT OF NON-FINANCIAL ASSETS

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of cash-generating units ("CGUs"). Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets.

DEFERRED TAXES

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences.

15.2 ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards issued by the IASB were adopted by the Corporation on September 1, 2018:

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

IMPACTS OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

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

15.3 FUTURE ACCOUNTING DEVELOPMENT IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the year ended August 31, 2019, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

Standard	Effective date
IFRS 16 *Leases*	Annual periods beginning on or after January 1, 2019
IFRIC 23 *Uncertainty over income tax treatments*	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 3 *Business combinations*	Prospectively for acquisitions occurring on or after January 1, 2020, with early adoption permitted

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, and establishes a comprehensive model for the identification of lease arrangements, and the recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors. The new standard is applicable to all leases, except for certain exceptions. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make the lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. At adoption, there is the option to either apply IFRS 16 with either a full retrospective approach whereby IFRS 16 will also be applied to comparative figures, or a modified retrospective approach whereby the cumulative effect of the initial application is adjusted to opening retained earnings.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that future lease payments be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 will result in an increase to both assets and liabilities recorded on the consolidated statements of financial position, stemming from recognizing the right-of-use assets and the corresponding lease liabilities. Total expenses over the lease term will remain unchanged, however the timing of recognition of the expenses will be effected. The adoption of IFRS 16 will result in a decrease in operating expenses, an increase in financial expense due to the accretion of the lease liability, and an increase in depreciation and amortization due to the depreciation of the right-of-use asset on the consolidated statements of profit or loss.

Compared to the results of the current standard, the results of applying the new standard should generally reflect increases in cash flows from operating activities and decreases in cash-flows from financing activities. This stems from the payment of the principal component of leases that are currently accounted for as operating leases, being presented as a cash flow use within the financing activities under the new standard. Total cash outflows over the lease term remain unchanged.

The application of this standard is mandatory for all IFRS reporters and will be applied by the Corporation on September 1, 2019, using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The Corporation continues to assess the implications of this standard and to determine the effect on its consolidated financial statements. The adoption of IFRS 16 is expected to impact the consolidated financial statements as follows:

- Total assets at September 1, 2019 are expected to increase by approximately $61 million as a result of the recognition of right-of-use assets;
- Total liabilities at September 1, 2019 are expected to increase by approximately $61 million resulting from the recognition of lease liabilities;
- Retained earnings at September 1, 2019 are expected to remain unchanged.

IFRIC 23 *Uncertainty over income tax treatments*

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 should not have a significant impact on the consolidated financial statements

IFRS 3 *Business combinations*

The amendments to IFRS 3 may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

16. NON-IFRS FINANCIAL MEASURES

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

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

Non-IFRS measure	Application	Calculation	Most comparable IFRS measure
Free cash flow	Management and investors use free cash flow to measure Cogeco's ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow: - Cash flow from operating activities add: - Amortization of deferred transaction costs and discounts on long-term debt; - Changes in non-cash operating activities; - Income taxes paid; and - Financial expense paid deduct: - Current income taxes; - Financial expense; and - Acquisition of property, plant and equipment.	Cash flow from operating activities
Adjusted EBITDA	Adjusted EBITDA is a key measure commonly reported and used in the telecommunications industry, as it allows comparisons between companies that have different capital structures and is a more current measure since it excludes the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco 's business units is equal to the segment profit reported in note 6 of the Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the year from continuing operations; add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the year from continuing operations
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisitions of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis are obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rates during the three-month period and year ended August 31, 2018 were 1.3100 USD/CDN and 1.2773 USD/CDN, respectively.	No comparable IFRS measure

16.1 FREE CASH FLOW RECONCILIATION

	Three months ended		Years ended	
	August 31, 2019	August 31, 2018 (1)	August 31, 2019	August 31, 2018 (1)
(in thousands of dollars)	$	$	$	$
Cash flow from operating activities	**314,905**	268,679	**890,077**	638,377
Amortization of deferred transaction costs and discounts on long-term debt	**2,961**	2,485	**9,531**	18,999
Changes in non-cash operating activities	**(79,137)**	(71,509)	**22,664**	27,031
Income taxes paid	**13,047**	26,516	**53,289**	181,068
Current income taxes	**(12,269)**	(10,070)	**(57,623)**	(73,537)
Financial expense paid	**35,995**	48,101	**168,652**	177,305
Financial expense	**(41,292)**	(48,376)	**(178,380)**	(188,186)
Acquisition of property, plant and equipment	**(146,599)**	(164,472)	**(439,055)**	(460,910)
Free cash flow	**87,611**	51,354	**469,155**	320,147

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

16.2 ADJUSTED EBITDA RECONCILIATION

	Three months ended		Years ended	
	August 31, 2019	August 31, 2018 (1)	August 31, 2019	August 31, 2018 (1)
(in thousands of dollars)	$	$	$	$
Profit for the period from continuing operations	**95,193**	78,340	**368,165**	399,950
Income taxes	**21,340**	19,316	**88,608**	(10,660)
Financial expense	**41,292**	48,376	**178,380**	188,186
Depreciation and amortization	**122,317**	121,098	**483,976**	437,171
Integration, restructuring and acquisition costs	**839**	1,812	**12,851**	20,463
Adjusted EBITDA	**280,981**	268,942	**1,131,980**	1,035,110

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

17. ADDITIONAL INFORMATION

This MD&A was prepared on October 30, 2019. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditor to discuss the results of the external and internal examinations and matters having an impact on financial information.

The independent auditor appointed by the shareholders, Deloitte LLP, Chartered Professional Accountants, are responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent auditor have free access to the Audit Committee, with or without the presence of management. Their report follows.

Philippe Jetté
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, October 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Inc. (the ''Company''), which comprise the consolidated statements of financial position as at August 31, 2019 and August 31, 2018, the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the ''financial statements'').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (''IFRS'').

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

Montréal, Québec
October 30, 2019

Deloitte LLP[1]

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[1] CPA auditor, CA, public accountancy permit No. A124341

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2019	2018
(In thousands of Canadian dollars, except per share data)		**$**	$
			(restated, Note 3)
Revenue	*5*	**2,444,062**	2,262,030
Operating expenses	*9*	**1,312,082**	1,226,920
Integration, restructuring and acquisition costs	*6*	**12,851**	20,463
Depreciation and amortization	*10*	**483,976**	437,171
Financial expense	*11*	**178,380**	188,186
Profit before income taxes		**456,773**	389,290
Income taxes	*12*	**88,608**	(10,660)
Profit for the year from continuing operations		**368,165**	399,950
Profit (loss) for the year from discontinued operations	8	**75,380**	(24,381)
Profit for the year		**443,545**	375,569
Profit for the year attributable to:			
Owners of the Corporation		**143,163**	126,437
Non-controlling interest		**300,382**	249,132
		443,545	375,569
Earnings (loss) per share			
Basic	*13*		
Profit for the year from continuing operations		**7.38**	8.19
Profit (loss) for the year from discontinued operations		**1.48**	(0.47)
Profit for the year		**8.86**	7.72
Diluted	*13*		
Profit for the year from continuing operations		**7.32**	8.13
Profit (loss) for the year from discontinued operations		**1.47**	(0.47)
Profit for the year		**8.79**	7.66

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,	Note	2019	2018
(In thousands of Canadian dollars)		$	$
Profit for the year		**443,545**	375,569
Other comprehensive income (loss)			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**(81,171)**	34,462
Related income taxes		**21,511**	(9,082)
		(59,660)	25,380
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**32,533**	61,703
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		**(20,754)**	(37,164)
Realized foreign currency translation adjustments on disposal of a subsidiary		**(29,809)**	—
Related income taxes		**1,256**	379
		(16,774)	24,918
		(76,434)	50,298
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*23*	**(21,685)**	6,298
Related income taxes		**5,821**	(1,470)
		(15,864)	4,828
		(92,298)	55,126
Comprehensive income for the year		**351,247**	430,695
Comprehensive income for the year attributable to:			
Owners of the Corporation		**105,919**	142,206
Non-controlling interest		**245,328**	288,489
		351,247	430,695

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to owners of the Corporation					
Years ended August 31, 2019 and 2018	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)	$	$	$	$	$	$
			(restated, Note 3)	*(restated, Note 3)*	*(restated, Note 3)*	*(restated, Note 3)*
	(Note 20)		*(Note 21)*			
Balance at August 31, 2017	114,021	7,644	24,575	440,516	1,110,538	1,697,294
Profit for the year	—	—	—	126,437	249,132	375,569
Other comprehensive income for the year	—	—	11,760	4,009	39,357	55,126
Comprehensive income for the year	—	—	11,760	130,446	288,489	430,695
Share-based payment	—	5,227	—	—	5,081	10,308
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(187)	—	—	3,673	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs	—	—	—	—	388,907	388,907
Dividends (Note 20 C))	—	—	—	(25,539)	(63,886)	(89,425)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	24,193	(24,193)	—
Purchase and cancellation of subordinate voting shares	(1,673)	—	—	(12,974)	—	(14,647)
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 by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,482)	—	(44)	1,526	—
Total contributions by (distributions to) shareholders	(5,183)	1,503	—	(14,374)	301,756	283,702
Balance at August 31, 2018	**108,838**	**9,147**	**36,335**	**556,588**	**1,700,783**	**2,411,691**
Profit for the year	**—**	**—**	**—**	**143,163**	**300,382**	**443,545**
Other comprehensive loss for the year	**—**	**—**	**(26,219)**	**(11,025)**	**(55,054)**	**(92,298)**
Comprehensive income (loss) for the year	**—**	**—**	**(26,219)**	**132,138**	**245,328**	**351,247**
Share-based payment	**—**	**4,498**	**—**	**—**	**4,039**	**8,537**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(544)**	**—**	**—**	**10,324**	**9,780**
Dividends (Note 20 C))	**—**	**—**	**—**	**(27,772)**	**(70,757)**	**(98,529)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**(4,887)**	**4,887**	**—**
Purchase and cancellation of subordinate voting shares	**(2,160)**	**—**	**—**	**(18,430)**	**—**	**(20,590)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(3,371)**	**—**	**—**	**—**	**—**	**(3,371)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**2,799**	**(2,056)**	**—**	**(743)**	**—**	**—**
Purchase and cancellation of subordinate voting shares by a subsidiary	**—**	**—**	**—**	**(7,392)**	**(24,990)**	**(32,382)**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(2,504)**	**(2,504)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,880)**	**—**	**(121)**	**2,001**	**—**
Total contributions by (distributions to) shareholders	**(2,732)**	**18**	**—**	**(59,345)**	**(77,000)**	**(139,059)**
Balance at August 31, 2019	**106,106**	**9,165**	**10,116**	**629,381**	**1,869,111**	**2,623,879**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	Notes	2019	2018
(In thousands of Canadian dollars)		$	$
			(restated, Note 3)
Assets			
Current			
Cash and cash equivalents		**559,393**	86,352
Trade and other receivables	*24 A)*	**98,375**	118,718
Income taxes receivable		**18,767**	25,697
Prepaid expenses and other		**24,184**	30,444
Derivative financial instrument		**109**	1,330
		700,828	262,541
Non-current			
Other assets	*14*	**40,412**	42,949
Property, plant and equipment	*15*	**2,024,173**	2,337,751
Intangible assets	*16 A)*	**2,938,116**	3,007,306
Goodwill	*16 B)*	**1,400,334**	1,627,031
Derivative financial instruments		**—**	33,797
Pension plan assets	*23*	**—**	6,858
Deferred tax assets	*12*	**21,174**	17,314
		7,125,037	7,335,547
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	*22 B)*	**—**	5,949
Trade and other payables		**276,782**	320,306
Provisions	*17*	**36,803**	26,137
Income tax liabilities		**16,693**	16,133
Contract liabilities and other liabilities	*18*	**43,768**	59,967
Balance due on business combinations	*22 B)*	**6,520**	—
Current portion of long-term debt	*19*	**22,624**	77,209
		403,190	505,701
Non-current			
Long-term debt	*19*	**3,439,399**	3,817,935
Derivative financial instruments		**46,044**	—
Contract liabilities and other liabilities	*18*	**14,450**	20,125
Pension plan liabilities and accrued employee benefits	*23*	**24,186**	5,390
Deferred tax liabilities	*12*	**573,889**	574,705
		4,501,158	4,923,856
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*20 B)*	**106,106**	108,838
Share-based payment reserve		**9,165**	9,147
Accumulated other comprehensive income	*21*	**10,116**	36,335
Retained earnings		**629,381**	556,588
		754,768	710,908
Equity attributable to non-controlling interest		**1,869,111**	1,700,783
		2,623,879	2,411,691
		7,125,037	7,335,547

Commitments, contingencies and guarantees (Note 26)

On behalf of the Board of Directors,

Louis Audet
Director

James C. Cherry
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,	Notes	2019	2018
(In thousands of Canadian dollars)		$	$
			(restated, Note 3)
Cash flow from operating activities			
Profit for the year from continuing operations		**368,165**	399,950
Adjustments for:			
Depreciation and amortization	*10*	**483,976**	437,171
Financial expense	*11*	**178,380**	188,186
Income taxes	*12*	**88,608**	(10,660)
Share-based payment		**10,270**	7,657
Loss on disposals and write-offs of property, plant and equipment		**2,752**	1,925
Defined benefit plans contributions, net of expense		**2,531**	(448)
		1,134,682	1,023,781
Changes in non-cash operating activities	*22 A)*	**(22,664)**	(27,031)
Financial expense paid		**(168,652)**	(177,305)
Income taxes paid		**(53,289)**	(181,068)
		890,077	638,377
Cash flow from investing activities			
Acquisition of property, plant and equipment	*15*	**(439,055)**	(460,910)
Acquisition of Spectrum licenses	*16 A)*	**—**	(32,306)
Redemption of short-term investments		**—**	54,000
Business combinations, net of cash and cash equivalents acquired	*7*	**(56,050)**	(1,756,935)
Proceeds on disposals of property, plant and equipment		**2,467**	1,390
		(492,638)	(2,194,761)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		**(5,949)**	2,148
Net increase (decrease) under the revolving facilities		**(423,516)**	386,563
Issuance of long-term debt, net of discounts and transaction costs		**—**	2,082,408
Repayment of long-term debt		**(77,660)**	(1,329,064)
Increase in deferred transaction costs		**(2,390)**	(3,200)
Repayment of balance due on business combinations		**(655)**	(118)
Purchase and cancellation of subordinate voting shares	*20 B)*	**(20,590)**	(14,647)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*20 B)*	**(3,371)**	(5,575)
Dividends paid on multiple voting shares	*20 C)*	**(3,118)**	(2,840)
Dividends paid on subordinate voting shares	*20 C)*	**(24,654)**	(22,699)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**9,780**	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid		**—**	388,907
Purchase and cancellation of subordinate voting shares by a subsidiary		**(32,382)**	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(2,504)**	(9,352)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(70,757)**	(63,886)
		(657,766)	1,412,131
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(439)**	1,989
Net change in cash and cash equivalents from continuing operations		**(260,766)**	(142,264)
Net change in cash and cash equivalents from discontinued operations	*8*	**733,807**	16,333
Cash and cash equivalents, beginning of the year		**86,352**	212,283
Cash and cash equivalents, end of the year		**559,393**	86,352

NATURE OF OPERATIONS

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

Its Cogeco Communications Inc. ("Cogeco Communications") subsidiary provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks, operating in Québec and Ontario, Canada, under the Cogeco Connexion name, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida).

On April 30, 2019, Cogeco Communications completed the sale of its Cogeco Peer 1 subsidiary (see Note 8).

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

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

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

1. BASIS OF PRESENTATION

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 N)), cash-settled share-based payment arrangements (see Note 2 K)) and pension plan assets (see Note 2 L)), which are measured at fair value, and for the defined benefit obligation (see Note 2 L)) and provisions (see Note 2 J)), which are measured at present value.

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

The consolidated financial statements were approved by the Board of Directors of Cogeco at its meeting held on October 30, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

A) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Non-controlling interest in the net assets and results of consolidated subsidiaries is identified separately from the Corporation's ownership interest in them. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2019 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Communications	Cogeco Communications (1)	31.8	82.3
Other	Cogeco Media	100	100

(1) Cogeco Communications' principal subsidiaries are comprised of 100% of Cogeco Connexion and 79% of Atlantic Broadband.

The Corporation and its subsidiary, Cogeco Communications, have each established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with their Incentive and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation and Cogeco Communications were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intercompany transactions and balances and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retrospective basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer. Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

More specifically, the Corporation's principal sources of revenue are recognized as follows:

Residential
- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment;

Commercial
- Monthly subscription revenue (including any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight line basis over the contractual period arrangement;
- Revenue from data services, long-distance and other pay-per-use services is recognized as the services are provided;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight line basis over the contractual period arrangement;

Other
- Revenue from advertising, late fees, rental income and other miscellaneous revenue is recognized as the services are provided.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation accounts for individual products or services separately if they are distinct performance obligations, such that a product or service is separately identifiable from other items in the bundled package and a customer can benefit from it on its own or with other readily available resources.

Consideration is measured and allocated between the components based upon stand-alone selling price while applying the relevant revenue recognition policy. The stand-alone selling price is based on the observable price for which the Corporation sells its products and services separately without a contract, adjusted for market conditions and other factors.

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own. Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement

Unearned revenue, such as payments for goods and services received in advance of delivery, is recorded as contract liabilities in the statement of financial position until the service is provided or the product is delivered to the customer.

Contract cost assets are recognized in the statement of financial position as other assets, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding 4 years.

D) BARTER TRANSACTIONS

In the normal course of its business, the Corporation enters into barter transactions under which goods, advertising and other services are acquired in exchange for advertising services. Such revenue and expenses are recorded at the estimated fair value of goods and services received when goods and other services are received and at the estimated fair value of advertising provided when advertising services are received.

E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is recognized from the date the asset is ready for its intended use so as to write-off the cost of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Depreciation periods are as follows:

Building and leasehold improvements (1)	10 to 40 years
Networks and infrastructure (2)	3 to 20 years
Customer premise equipment	3 to 5 years
Data centre equipment (3)	3 to 7 years
Rolling stock and equipment (4)	3 to 10 years

(1) Leasehold improvements are amortized over the shorter of the term of the lease or economic life.

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(3) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control. Servers that are included as part of the hosting product line are amortized on a straight-line basis over their expected useful life, which is three years.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is determined as the difference between the sale proceeds, if any, and the carrying amount of the asset and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its fibre and coaxial networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

F) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Spectrum licenses are amortized over the initial non-cancelable term of the licenses, not exceeding ten years;
- Favorable leases are amortized on a straight-line basis over the remaining non-cancelable term of the lease agreement;

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchises ("Cable Distribution Licenses") , Broadcasting Licenses and Trade name. Cable Distribution Licenses are comprised of broadcast authorities licenses and exemptions from licensing that allow access to homes and customers in a specific area. Broadcasting Licenses are broadcast authorities licenses that allow access to a radio frequency in a specific market. The Corporation has concluded that the Cable Distribution Licenses and Broadcasting Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Trade name is considered to have an indefinite economic life because of the institutional nature of the corporate trade name, its ability to maintain market recognition and profitable operations over long periods of time and the Corporation's commitment to develop and enhance its value. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support indefinite useful life assessment for these Cable Distribution Licenses, Broadcasting Licenses, and the Trade name. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at least annually or more frequently if there is any indication of impairment.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. It is not amortized but tested for impairment at least annually or more frequently if there is an indication of impairment.

G) IMPAIRMENT OF NON FINANCIAL ASSETS

At the end of each reporting period, the Corporation reviews the carrying value of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU to which goodwill has been allocated may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any allocated goodwill and then to reduce the carrying amount of other assets on a pro-rata basis. The impairment loss is recognized immediately in profit or loss in the period in which the loss occurs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

H) LEASES

Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between financial expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial expense and depreciation of the assets are recognized in profit or loss in the period they occur.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lessor

The Corporation leases certain equipment, primarily customer premise equipment, to its customers. These leases are classified as operating leases and rental revenue is recognized over the term of the relevant lease.

I) INCOME TAXES

Income tax expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which, those unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

J) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

K) SHARE-BASED PAYMENT

Equity-settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures Incentive Share Units ("ISUs") and Performance Share Units ("PSUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash-settled awards

The fair value of the amount payable to the members of the Board of Directors in respect of share appreciation rights under the Deferred Share Unit ("DSU") Plan of the Corporation, which are settled in cash or shares, is recognized as a compensation expense with a corresponding increase in pension plan liabilities and accrued employee benefits as of the date units are issued to the members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

L) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan whereby the amount of pension benefit that a plan participant will receive during retirement is defined and dependent on factors such as age, years of service and compensation. On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss;
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in retained earnings and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

M) FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investment in foreign operations are recognized as foreign currency translation adjustments in other comprehensive income and accumulated in equity.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

N) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, non-derivative financial instruments are measured in accordance with their classification as described below:

- Cash and cash-equivalents and trade and other receivables are classified and measured at amortized cost using the effective interest method, less any impairment loss;
- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and
- Bank indebtedness, trade and other payables, balance due on business combinations and long-term debt are classified and measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, canceled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below, except for equity swap instruments whereby the changes are recorded in operating expenses. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedge accounting

When a derivative financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged items affects profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged items is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss.

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy. The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.

An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments that have an original maturity of three months or less.

P) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU and PSU Plans. Diluted earnings per share is determined by further adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all potential dilutive subordinate voting shares, which comprise stock options, ISUs and PSUs granted to executive officers and designated employees.

Q) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's chief operating decision maker (“CODM”) to decide about resources to be allocated to the operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

R) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Allowance for doubtful accounts**

  The allowance for doubtful accounts is established based on the estimated credit risk of the Corporation's customers, by examining such factors as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) (see Note 24 A));

- **Business combinations**

  Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the property, plant and equipment acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 7);

- **Revenue from contracts with customers**

  The identification of performance obligations within a contract and the timing of satisfaction of those performance obligations, as well as determining the costs that are incremental to obtaining and fulfilling a contract, require judgment. Determining the transaction price for a contract requires estimating the revenue expected for delivering the performance obligations within the contract.

Additionally, an estimate might be necessary when determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations;

- **Depreciation of property, plant and equipment and amortization of intangible assets**

  Measurement of property, plant and equipment and intangible assets with finite useful lives requires estimates for determining the assets' expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 10);

- **Provisions**

  Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate (see Note 17);

- **Contingencies**

  Contingencies such as lawsuits, taxes and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation;

- **Fair value measurement of derivative financial instruments**

  The fair value of derivative financial instruments is estimated using valuation techniques based on several market data such as interest rates, foreign exchange rates and the Corporation's or counterparties' credit risks;

- **Hedge accounting**

  Management uses significant judgment in determining whether the Corporation's financial instruments qualify for hedge accounting, including the assumptions for effectiveness and also in estimating the probability that a transaction will occur, in the case of cash flow hedges of forecasted transaction;

- **Measurement of defined benefit obligation**

  The net defined benefit obligation is determined using actuarial calculations that are based on several assumptions. The actuarial valuation uses the Corporation's assumptions for the discount rate, the expected rate of compensation increase and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could impact the reported amount of defined benefit pension cost recognized in profit or loss, the remeasurement of the net defined benefit asset or liability recognized directly in other comprehensive income and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position (see Note 23);

- **Share-based payments**

  Management estimates the fair value of stock-options granted using the Black-Scholes option pricing model. The estimates used by management include expected dividend yields, volatility of the Corporation's share price, the expected life of the option, the risk-free interest rate and the number of options expected to vest. Estimates are also used in the determination of the number of ISUs and PSUs that are expected to vest, which influences their fair value. The fair value of the PSUs is also estimated based on the level of Economic Value creation;

- **Measurement of non-financial assets**

  The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (see Note 16); and

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences (see Note 12).

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

IFRS 9 *Financial Instruments*

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

RECLASSIFICATION OF RECONNECT COSTS

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

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

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

IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE COMPARATIVE FIGURES

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended August 31, 2018 *(In thousands of Canadian dollars, except per share data)*	As previously reported $	IFRS 15 impact $	Reclassification impact $	As currently reported $
Revenue	2,262,223	(193)	—	2,262,030
Operating expenses	1,232,018	(619)	(4,479)	1,226,920
Integration, restructuring and acquisition costs	20,463	—	—	20,463
Depreciation and amortization	435,115	(2,827)	4,883	437,171
Financial expense	188,186	—	—	188,186
Profit before income taxes	386,441	3,253	(404)	389,290
Income taxes	(9,653)	(1,129)	122	(10,660)
Profit for the year from continuing operations	396,094	4,382	(526)	399,950
Loss for the year from discontinued operations	(24,381)	—	—	(24,381)
Profit for the year	371,713	4,382	(526)	375,569
Profit for the year attributable to:				
Owners of the Corporation	125,271	1,325	(159)	126,437
Non-controlling interest	246,442	3,057	(367)	249,132
	371,713	4,382	(526)	375,569
Earnings (loss) per share				
Basic				
Profit for the year from continuing operations	8.12			8.19
Loss for the year from discontinued operations	(0.47)			(0.47)
Profit for the year	7.65			7.72
Diluted				
Profit for the year from continuing operations	8.06			8.13
Loss for the year from discontinued operations	(0.47)			(0.47)
Profit for the year	7.59			7.66

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended August 31, 2018	As previously reported	IFRS 15 impact	Reclassification impact	As currently reported
(In thousands of Canadian dollars)	$	$	$	$
Cash flow from operating activities				
Profit for the year from continuing operations	396,094	4,382	(526)	399,950
Adjustments for:				
Depreciation and amortization	435,115	(2,827)	4,883	437,171
Financial expense	188,186	—	—	188,186
Income taxes	(9,653)	(1,129)	122	(10,660)
Share-based payment	7,657	—	—	7,657
Loss on disposals and write-offs of property, plant and equipment	1,925	—	—	1,925
Defined benefit plans contributions, net of expense	(448)	—	—	(448)
	1,018,876	426	4,479	1,023,781
Changes in non-cash operating activities	(19,773)	(7,258)	—	(27,031)
Financial expense paid	(177,305)	—	—	(177,305)
Income taxes paid	(181,068)	—	—	(181,068)
	640,730	(6,832)	4,479	638,377
Cash flow from investing activities				
Acquisition of property, plant and equipment	(448,256)	3,631	(16,285)	(460,910)
Acquisition of intangible and other assets	(15,007)	3,201	11,806	—
Acquisition of Spectrum licenses	(32,306)	—	—	(32,306)
Redemption of short-term investments	54,000	—	—	54,000
Business combinations, net of cash and cash equivalents acquired	(1,756,935)	—	—	(1,756,935)
Proceeds on disposals of property, plant and equipment	1,390	—	—	1,390
	(2,197,114)	6,832	(4,479)	(2,194,761)
Cash flow from financing activities				
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	386,563	—	—	386,563
Issuance of long-term debt, net of discounts and transaction costs	2,082,408	—	—	2,082,408
Repayments of long-term debt	(1,329,064)	—	—	(1,329,064)
Increase in deferred transaction costs	(3,200)	—	—	(3,200)
Repayment of balance due on business combinations	(118)	—	—	(118)
Purchase and cancellation of subordinate voting shares	(14,647)	—	—	(14,647)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(5,575)	—	—	(5,575)
Dividends paid on multiple voting shares	(2,840)	—	—	(2,840)
Dividends paid on subordinate voting shares	(22,699)	—	—	(22,699)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	3,486	—	—	3,486
Issuance of common shares by a subsidiary to non-controlling interest, net of transaction costs paid	388,907	—	—	388,907
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(9,352)	—	—	(9,352)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest	(63,886)	—	—	(63,886)
	1,412,131	—	—	1,412,131
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	1,989	—	—	1,989
Net change in cash and cash equivalents from continuing operations	(142,264)	—	—	(142,264)
Net change in cash and cash equivalents from discontinued operations	16,333	—	—	16,333
Cash and cash equivalents, beginning of the year	212,283	—	—	212,283
Cash and cash equivalents, end of the year	86,352	—	—	86,352

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory but not yet effective for the year ended August 31, 2019, and have not been applied in preparing these consolidated financial statements. The following standards may have a material impact on future consolidated financial statements of the Corporation:

Standard	Effective date
IFRS 16 *Leases*	Annual periods beginning on or after January 1, 2019
IFRIC 23 *Uncertainty over income tax treatments*	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 3 *Business combinations*	Prospectively for acquisitions occurring on or after January 1, 2020, with early adoption permitted

IFRS 16

IFRS 16 replaces IAS 17 *Leases*, and establishes a comprehensive model for the identification of lease arrangements, and the recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors. The new standard is applicable to all leases, except for certain exceptions. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability, representing its obligation to make the lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. At adoption, there is the option to either apply IFRS 16 with either a full retrospective approach whereby IFRS 16 will also be applied to comparative figures, or a modified retrospective approach whereby the cumulative effect of the initial application is adjusted to opening retained earnings.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that future lease payments be capitalized and presented either as lease assets (right-of-use assets) or together with property, plant and equipment. IFRS 16 will result in an increase to both assets and liabilities recorded on the consolidated statements of financial position, stemming from recognizing the right-of-use assets and the corresponding lease liabilities. Total expenses over the lease term will remain unchanged, however the timing of recognition of the expenses will be effected. The adoption of IFRS 16 will result in a decrease in operating expenses, an increase in financial expense due to the accretion of the lease liability, and an increase in depreciation and amortization due to the depreciation of the right-of-use asset on the consolidated statements of profit or loss.

Compared to the results of the current standard, the results of applying the new standard should generally reflect increases in cash flows from operating activities and decreases in cash-flows from financing activities. This stems from the payment of the principal component of leases that are currently accounted for as operating leases, being presented as a cash flow use within the financing activities under the new standard. Total cash outflows over the lease term remain unchanged.

The application of this standard is mandatory for all IFRS reporters and will be applied by the Corporation on September 1, 2019, using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Electing to exclude intangible assets from the application of IFRS 16.

The Corporation continues to assess the implications of this standard and to determine the effect on its consolidated financial statements. The adoption of IFRS 16 is expected to impact the consolidated financial statements as follows:

- Total assets at September 1, 2019 are expected to increase by approximately $61 million as a result of the recognition of right-of-use assets;
- Total liabilities at September 1, 2019 are expected to increase by approximately $61 million resulting from the recognition of lease liabilities;
- Retained earnings at September 1, 2019 are expected to remain unchanged.

IFRIC 23

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 should not have a significant impact on the consolidated financial statements.

IFRS 3

The amendments to IFRS 3 *Business combinations* may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

5. REVENUE

	Communications		Other		Consolidated	
					Years ended August 31,	
	2019	2018	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
Revenue						
Residential [(1)]	**2,050,167**	1,900,527	**—**	—	**2,050,167**	1,900,527
Commercial [(2)]	**253,767**	218,770	**—**	—	**253,767**	218,770
Other [(3)]	**27,886**	28,107	**112,242**	114,626	**140,128**	142,733
	2,331,820	2,147,404	**112,242**	114,626	**2,444,062**	2,262,030

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

6. OPERATING SEGMENTS

The Corporation's segment profit for the year 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, 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 brand in 11 states along the East Coast, from Maine to Florida.

The Other segment is comprised of radio and head office activities, as well as inter-segment eliminations.Through its subsidiary, Cogeco Media, the Corporation owns and operates 23 radio stations with complementary radio formats serving a wide range of audiences. Cogeco Media also operates Cogeco News, one of Québec's largest news agencies, feeding affiliates, independent and community radio stations.

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

	Communications		Other		Consolidated	
Years ended August 31,	**2019**	2018	**2019**	2018	**2019**	2018
(*in thousands of Canadian dollars)*	**$**	$	**$**	$	**$**	$
		(restated, Note 3)				*(restated, Note 3)*
Revenue [(1)]	**2,331,820**	2,147,404	**112,242**	114,626	**2,444,062**	2,262,030
Operating expenses	**1,203,980**	1,121,625	**108,102**	105,295	**1,312,082**	1,226,920
Management fees – Cogeco Inc.	**19,900**	18,961	**(19,900)**	(18,961)	**—**	—
Segment profit	**1,107,940**	1,006,818	**24,040**	28,292	**1,131,980**	1,035,110
Integration, restructuring and acquisition costs [(2)]	**11,150**	20,328	**1,701**	135	**12,851**	20,463
Depreciation and amortization	**480,725**	433,654	**3,251**	3,517	**483,976**	437,171
Financial expense	**175,502**	185,456	**2,878**	2,730	**178,380**	188,186
Profit before income taxes	**440,563**	367,380	**16,210**	21,910	**456,773**	389,290
Income taxes	**83,655**	(17,198)	**4,953**	6,538	**88,608**	(10,660)
Profit for the year from continuing operations	**356,908**	384,578	**11,257**	15,372	**368,165**	399,950
Total assets	**6,951,079**	7,180,043	**173,958**	155,504	**7,125,037**	7,335,547
Property, plant and equipment	**2,007,610**	2,323,678	**16,563**	14,073	**2,024,173**	2,337,751
Intangible assets	**2,850,844**	2,927,388	**87,272**	79,918	**2,938,116**	3,007,306
Goodwill	**1,373,439**	1,608,446	**26,895**	18,585	**1,400,334**	1,627,031
Acquisition of property, plant and equipment	**434,545**	457,808	**4,510**	3,102	**439,055**	460,910
Acquisition of Spectrum licenses	**—**	32,306	**—**	—	**—**	32,306

(1) Revenue by geographic market includes $1,407,209 in Canada ($1,414,658 in 2018) and $1,036,853 in the United States ($847,372 in 2018).
(2) In fiscal 2019, comprised of integration, restructuring and acquisition costs in the Communications segment and acquisition and integration costs in the Other segment. In fiscal 2018, comprised mainly of acquisition and integration costs in in the Communications segment (see Note 7).

The following tables set out certain geographic market information:

Year ended August 31, 2019	Canada	United States	Total
(in thousands of Canadian dollars)	$	$	$
Property, plant and equipment	1,141,346	882,827	2,024,173
Intangible assets	1,083,568	1,854,548	2,938,116
Goodwill	31,557	1,368,777	1,400,334

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

7. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN FISCAL 2019

Acquisition of 10 regional radio stations

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

The acquisition was accounted for using the purchase method and is subject to post closing adjustments. The preliminary allocation of the purchase price of this acquisition is as follows:

	Preliminary November 30, 2018
(in thousands of Canadian dollars)	$
Purchase price	
Consideration paid at closing	17,174
Balance due on business combinations	2,000
	19,174
Net assets acquired	
Trade and other receivables	2,354
Prepaid expenses and other	31
Property, plant and equipment	1,337
Intangible assets	7,354
Goodwill	8,310
Trade and other payables assumed	(168)
Contract liabilities and other liabilities assumed	(44)
	19,174

Purchase of a fibre network and corresponding assets

On October 3, 2018, Atlantic Broadband completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC. The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's existing south Florida footprint.

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. The final allocation of the purchase price of this acquisition is as follows:

(*in thousands of Canadian dollars*)	Final **August 31, 2019** **$**	Preliminary November 30, 2018 $
Purchase price		
Consideration paid at closing	**38,876**	38,876
Balance due on business combinations	**5,005**	5,005
	43,881	43,881
Net assets acquired		
Trade and other receivables	**1,308**	1,743
Prepaid expenses and other	**335**	335
Property, plant and equipment	**28,785**	45,769
Intangible assets	**3,978**	—
Goodwill	**11,093**	—
Trade and other payables assumed	**(644)**	(644)
Contract liabilities and other liabilities assumed	**(974)**	(3,322)
	43,881	43,881

BUSINESS COMBINATION IN FISCAL 2018

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 extended 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 fiscal 2018, adjustments were made to the working capital resulting in a reduction of the purchase price by $5.2 million (US$4.2 million). The final allocation of the purchase price of this acquisition was as follows:

(*in thousands of Canadian dollars*)	Final August 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	280,491
Intangible assets	944,738
Goodwill	529,689
Trade and other payables assumed	(5,047)
	1,756,941

8. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

On April 30, 2019, Cogeco Communications completed the sale of its Cogeco Peer 1 subsidiary. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

(In thousands of Canadian dollars)	$
Gross proceeds, net of cash disposed	720,314
Working capital adjustments	691
Transaction costs	(10,903)
Net proceeds from sale, net of cash disposed	710,102
Net assets disposed	(625,738)
Gain on disposal of a subsidiary	**84,364**

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

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

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

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

	Years ended August 31,	
	2019 (1)	2018
(In thousands of Canadian dollars)	$	$
Revenue	174,990	275,952
Operating expenses	132,390	197,545
Depreciation and amortization	43,999	95,891
Financial expense	(1,304)	(2,902)
Gain on disposal of a subsidiary	(84,364)	—
Profit (loss) before income taxes	84,269	(14,582)
Income taxes	8,889	9,799
Profit (loss) for the year from discontinued operations	75,380	(24,381)

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

The cash flows of the discontinued operations were as follows:

	Years ended August 31,	
	2019 [(1)]	2018
(In thousands of Canadian dollars)	**$**	$
Cash flow from operating activities	**41,962**	65,720
Cash flow from investing activities	**691,729**	(49,492)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**116**	105
Net change in cash and cash equivalents from discontinued operations	**733,807**	16,333

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

9. OPERATING EXPENSES

Years ended August 31,	**2019**	2018
(in thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Salaries, employee benefits and outsourced services	**422,872**	390,141
Service delivery costs [(1)]	**670,618**	624,229
Customer related costs [(2)]	**93,318**	79,246
Other external purchases [(3)]	**125,274**	133,304
	1,312,082	1,226,920

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

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

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

10. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2019**	2018
(in thousands of Canadian dollars)	**$**	$
		(restated, Note 3)
Depreciation of property, plant and equipment	**426,683**	391,243
Amortization of intangible assets	**57,293**	45,928
	483,976	437,171

11. FINANCIAL EXPENSE

Years ended August 31,	**2019**	2018
(in thousands of Canadian dollars)	**$**	$
Interest on long-term debt	**179,692**	182,229
Net foreign exchange gains	**(2,898)**	(2,154)
Amortization of deferred transaction costs	**1,913**	1,945
Capitalized borrowing costs [(1)]	**(690)**	(2,074)
Other	**363**	8,240
	178,380	188,186

(1) For the years ended August 31, 2019 and 2018, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

12. INCOME TAXES

Years ended August 31,	2019	2018
(in thousands of Canadian dollars)	$	$
		(restated, Note 3)
Current	57,623	73,537
Deferred	30,985	(84,197)
	88,608	(10,660)

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:

Years ended August 31,	2019	2018
(in thousands of Canadian dollars)	$	$
		(restated, Note 3)
Profit before income taxes	456,773	389,290
Combined Canadian income tax rate	26.50%	26.50%
Income taxes at combined Canadian income tax rate	121,045	103,162
Difference in operations' statutory income tax rates	1,575	(206)
Impact on deferred taxes as a result of changes in substantively enacted tax rates (1)	32	(94,203)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(52)	2,430
Tax impacts related to foreign operations	(28,633)	(22,099)
Other	(5,359)	256
Income taxes at effective income tax rate	88,608	(10,660)

(1) On December 22, 2017, the US Federal administration enacted the Tax Cuts and Jobs Act (the "Act"). The tax reform reduced the general federal corporate tax rate from 35% to 21% starting after 2017. As a result, deferred income taxes and net deferred tax liabilities have been reduced by approximately $94 million (US$74 million) in fiscal 2018. In addition, the Act calls for other changes such as interest deductibility limitations, full deduction of acquisitions of tangible assets, net operating losses limitations as well as base erosion anti-avoidance.

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
		(restated, Note 3)
Property, plant and equipment	(205,405)	(173,464)
Intangible assets and goodwill	(534,435)	(520,068)
Contract liabilities and other liabilities	15,214	16,904
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	145,788	124,062
Other	26,123	(4,825)
Net deferred tax liabilities	(552,715)	(557,391)
Financial statement presentation:		
Deferred tax assets	21,174	17,314
Deferred tax liabilities	(573,889)	(574,705)
Net deferred tax liabilities	(552,715)	(557,391)

The movements in deferred tax asset and liability balances during fiscal 2019 and 2018 were as follows:

Year ended August 31, 2019	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income (loss)**	**Discontinued operations**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**
	(restated, Note 3)					
Property, plant and equipment	**(173,464)**	**(44,393)**	**—**	**14,055**	**(1,603)**	**(205,405)**
Intangible assets and goodwill	**(520,068)**	**(28,920)**	**—**	**18,850**	**(4,297)**	**(534,435)**
Contract liabilities and other liabilities	**16,904**	**(2,198)**	**—**	**482**	**26**	**15,214**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**124,062**	**43,790**	**—**	**(23,704)**	**1,640**	**145,788**
Other	**(4,825)**	**736**	**28,588**	**1,551**	**73**	**26,123**
	(557,391)	**(30,985)**	**28,588**	**11,234**	**(4,161)**	**(552,715)**

Year ended August 31, 2018	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Discontinued operations	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 3)	*(restated, Note 3)*			*(restated, Note 3)*	*(restated, Note 3)*
Property, plant and equipment	(176,035)	8,636	—	(2,340)	(3,725)	(173,464)
Intangible assets and goodwill	(583,063)	68,226	—	5,293	(10,524)	(520,068)
Contract liabilities and other liabilities	3,505	12,815	—	520	64	16,904
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	145,723	(11,786)	—	(13,614)	3,739	124,062
Other	(666)	6,306	(10,173)	(329)	37	(4,825)
	(610,536)	84,197	(10,173)	(10,470)	(10,409)	(557,391)

At August 31, 2019, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporations projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others. These losses expire as follows:

	2025	2026	2027	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Canada	**—**	**—**	**—**	**39,684**	**39,684**
United States	**44,614**	**73,369**	**39,683**	**388,997**	**546,663**
	44,614	**73,369**	**39,683**	**428,681**	**586,347**

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to $1,530 million which can be carried forward indefinitely and used against Canadian capital gains, and $103 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

13. EARNINGS PER SHARE

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

Years ended August 31	2019	2018
(In thousands of Canadian dollars, except number of shares and per share data)	$	$
		(restated, Note 3)
Profit for the year from continuing operations attributable to owners of the Corporation	119,222	134,158
Profit (loss) for the year from discontinued operations attributable to owners of the Corporation	23,941	(7,721)
Profit for the year attributable to owners of the Corporation	143,163	126,437
Weighted average number of multiple and subordinate voting shares outstanding	16,149,267	16,372,167
Effect of dilutive incentive share units	63,326	59,529
Effect of dilutive performance share units	72,603	70,743
Weighted average number of diluted multiple and subordinate voting shares outstanding	16,285,196	16,502,439
Earnings (loss) per share		
Basic		
Profit for the year from continuing operations	7.38	8.19
Profit (loss) for the year from discontinued operations	1.48	(0.47)
Profit for the year	8.86	7.72
Diluted		
Profit for the year from continuing operations	7.32	8.13
Profit (loss) for the year from discontinued operations	1.47	(0.47)
Profit for the year	8.79	7.66

14. OTHER ASSETS

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Contract costs (1)	36,372	35,328
Transaction costs	3,487	4,745
Other	553	2,876
	40,412	42,949

(1) Include incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

The table below provides a reconciliation of the contract costs balance:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	35,328	28,839
Additions	17,666	12,947
Amortization	(8,972)	(7,003)
Foreign currency translation adjustments	422	797
Discontinued operations	(8,072)	(252)
Balance, end of the year	36,372	35,328

15. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2019 and 2018, property, plant and equipment variations were as follows:

Years ended August 31, 2019 and 2018	Land, buildings and leasehold improvements	Networks and infrastructure (1)	Data centre equipment (2)	Customer premise equipment (3)	Rolling stock and equipment (3) (4)	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
		(restated, Note 3)				*(restated, Note 3)*
Cost						
Balance at August 31, 2017	256,268	3,324,795	317,114	647,299	430,585	4,976,061
Acquisitions through business combinations	7,715	245,585	—	16,524	10,667	280,491
Additions	5,713	285,660	—	102,245	67,292	460,910
Disposals and write-offs	(113)	(14,694)	—	(48,334)	(3,413)	(66,554)
Foreign currency translation adjustments	1,098	39,306	—	7,325	2,919	50,648
Discontinued operations	2,631	15,818	23,263	—	10,076	51,788
Balance at August 31, 2018	**273,312**	**3,896,470**	**340,377**	**725,059**	**518,126**	**5,753,344**
Acquisitions through business combinations	**115**	**28,785**	**—**	**—**	**1,222**	**30,122**
Additions	**7,008**	**289,417**	**—**	**84,892**	**57,738**	**439,055**
Disposals and write-offs	**(19)**	**(8,675)**	**—**	**(43,233)**	**(3,440)**	**(55,367)**
Foreign currency translation adjustments	**545**	**21,161**	**—**	**3,850**	**1,549**	**27,105**
Discontinued operations	**(142,615)**	**(321,089)**	**(340,377)**	**—**	**(85,148)**	**(889,229)**
Balance at August 31, 2019	**138,346**	**3,906,069**	**—**	**770,568**	**490,047**	**5,305,030**
Accumulated depreciation and impairment losses						
Balance at August 31, 2017	94,505	1,976,556	142,595	473,900	303,139	2,990,695
Depreciation expense	7,376	262,862	—	80,762	40,243	391,243
Disposals and write-offs	(39)	(12,464)	—	(47,387)	(3,349)	(63,239)
Foreign currency translation adjustments	302	15,142	—	2,945	1,145	19,534
Discontinued operations	10,886	23,383	32,365	—	10,726	77,360
Balance at August 31, 2018	**113,030**	**2,265,479**	**174,960**	**510,220**	**351,904**	**3,415,593**
Depreciation expense	**7,829**	**280,437**	**—**	**88,393**	**50,024**	**426,683**
Disposals and write-offs	**(5)**	**(5,541)**	**—**	**(41,623)**	**(2,979)**	**(50,148)**
Foreign currency translation adjustments	**180**	**8,512**	**—**	**1,605**	**631**	**10,928**
Discontinued operations	**(55,646)**	**(212,737)**	**(174,960)**	**—**	**(78,856)**	**(522,199)**
Balance at August 31, 2019	**65,388**	**2,336,150**	**—**	**558,595**	**320,724**	**3,280,857**
Carrying amounts						
At August 31, 2018	160,282	1,630,991	165,417	214,839	166,222	2,337,751
At August 31, 2019	**72,958**	**1,569,919**	**—**	**211,973**	**169,323**	**2,024,173**

(1) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops, and network equipment.

(2) Data centre equipment includes general infrastructure, mechanical and electrical equipment, security and access control.

(3) The software that ensures the proper operation of the customer premise equipment is now presented in the Customer premise equipment category while it was previously presented in the Rolling stock and equipment category.

(4) Rolling stock and equipment includes rolling stock, programming equipment, furniture and fixtures, computer and software and other equipments.

16. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2019 and 2018, intangible assets variations were as follows:

	Finite useful life			Indefinite useful life			
Years ended August 31, 2019 and 2018	Customer relationships (1)	Spectrum Licenses (2)	Other (3)	Cable Distribution Licenses	Broadcasting Licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
			(restated, Note 3)				*(restated, Note 3)*
Cost							
Balance at August 31, 2017	412,859	—	1,208	1,771,811	79,918	25,934	2,291,730
Acquisitions through business combinations	195,264	—	2,131	747,343	—	—	944,738
Additions	—	32,306	—	—	—	—	32,306
Fully amortized	—	—	(2,131)	—	—	—	(2,131)
Foreign currency translation adjustments	16,629	—	—	64,447	—	—	81,076
Discontinued operations	(29,880)	—	43	—	—	—	(29,837)
Balance at August 31, 2018	**594,872**	**32,306**	**1,251**	**2,583,601**	**79,918**	**25,934**	**3,317,882**
Acquisitions through business combinations	**3,978**	**—**	**—**	**—**	**7,354**	—	**11,332**
Foreign currency translation adjustments	**7,683**	**—**	**—**	**29,720**	**—**	**—**	**37,403**
Discontinued operations	**(173,317)**	**—**	**(1,251)**	**—**	**—**	**(25,934)**	**(200,502)**
Balance at August 31, 2019	**433,216**	**32,306**	**—**	**2,613,321**	**87,272**	**—**	**3,166,115**
Accumulated amortization and impairment losses							
Balance at August 31, 2017	274,548	—	499	—	—	—	275,047
Amortization expense	42,900	897	2,131	—	—	—	45,928
Fully amortized	—	—	(2,131)	—	—	—	(2,131)
Foreign currency translation adjustments	5,579	—	—	—	—	—	5,579
Discontinued operations	(14,097)	—	250	—	—	—	(13,847)
Balance at August 31, 2018	**308,930**	**897**	**749**	**—**	**—**	**—**	**310,576**
Amortization expense	**53,706**	**3,587**	**—**	**—**	**—**	—	**57,293**
Foreign currency translation adjustments	**3,047**	**—**	**—**	**—**	**—**	—	**3,047**
Discontinued operations	**(142,168)**	**—**	**(749)**	**—**	**—**	—	**(142,917)**
Balance at August 31, 2019	**223,515**	**4,484**	**—**	**—**	**—**	**—**	**227,999**
Carrying amounts							
At August 31, 2018	285,942	31,409	502	2,583,601	79,918	25,934	3,007,306
At August 31, 2019	**209,701**	**27,822**	**—**	**2,613,321**	**87,272**	**—**	**2,938,116**

(1) Customer relationships include long-term contractual agreements with customers.

(2) In 2018, Cogeco Communications' 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 addition it also acquired 10 Spectrum licenses of 2500 MHz in non-metropolitan areas of Ontario, from Kian Telecom, for a consideration of $8 million. Both transactions were completed in June 2018.

(3) Prior to the adoption of the changes in accounting policies described in Note 3, this category also included reconnect and additional service activation costs in the Broadband services segments, as well as direct and incremental costs associated with the acquisition of customers.

B) GOODWILL

During fiscal 2019 and 2018, goodwill variations were as follows:

Years ended August 31, 2019 and 2018 *(In thousands of Canadian dollars)*	$
Cost	
Balance at August 31, 2017	1,452,669
Acquisitions through business combinations	529,689
Foreign currency translation adjustments	53,110
Discontinued operations	14,796
Balance at August 31, 2018	**2,050,264**
Acquisitions through business combinations	**19,403**
Foreign currency translation adjustments	**24,903**
Discontinued operations	**(694,236)**
Balance at August 31, 2019	**1,400,334**
Accumulated impairment losses	
Balance at August 31, 2017	410,660
Discontinued operations	12,573
Balance at August 31, 2018	**423,233**
Discontinued operations	**(423,233)**
Balance at August 31, 2019	**—**
Carrying amounts	
At August 31, 2018	1,627,031
At August 31, 2019	**1,400,334**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment annually, or more frequently when indicators of impairment are identified.

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31,			**2019**				2018
Operating segment / CGU	**Goodwill**	**Cable Distribution Licenses**	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Trade name	Broadcasting Licenses
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$	$	$
Communications							
Canadian broadband services	**4,662**			4,662			
Ontario		**857,696**	**—**		857,696	—	—
Québec		**109,304**	**—**		109,304	—	—
American broadband services	**1,368,777**			1,332,781			
Southern Florida		**248,617**	**—**		244,129	—	—
South Carolina		**41,215**	**—**		40,471	—	—
Pennsylvania		**509,465**	**—**			—	—
Western Pennsylvania			**—**		406,011	—	—
Eastern Pennsylvania			**—**		94,257	—	—
Delaware/Maryland/Virginia		**418,394**	**—**			—	—
Maryland/Delaware			**—**		53,526	—	—
Maryland/Virginia			**—**		357,315	—	—
Eastern Connecticut		**95,723**	**—**		93,995	—	—
New Hampshire/Maine		**332,907**	**—**		326,897	—	—
Discontinued operations	**—**	**—**	**—**	271,003	—	25,934	—
Other							
Radio Broadcasting	**26,895**	**—**	**87,272**	18,585	—	—	79,918
Total	**1,400,334**	**2,613,321**	**87,272**	1,627,031	2,583,601	25,934	79,918

Goodwill and intangible assets with indefinite useful lives are considered impaired if the recoverable amount is less than the carrying amount. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less cost to sell. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years. They reflect management's expectations of revenue growth, expenses and capital expenditures for each CGU based on past experience and expected growth for the segment. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

At June 30, 2019 and 2018, the Corporation performed its annual test for its Radio broadcasting CGU. The recoverable amount of this CGU was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2019 and 2018. The 2018 calculation of the recoverable amount of the Radio broadcasting CGU, which represented the most recent detailed calculation made in a preceding year, was used in the impairment test of that CGU at June 30, 2019.

At June 30, 2019 and 2018, the Corporation's subsidiary, Cogeco Communications performed impairment tests for its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2019 and 2018. The 2017 calculation of the recoverable amount of the Canadian broadband services, which represented the most recent detailed calculation made in a preceding year, was used in the impairment test of its CGUs at June 30, 2019.

The following key assumptions were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

		2019		2018
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segment	**%**	**%**	%	%
Communications	**7.8 to 10.0**	**2.0 to 3.0**	7.9 to 11.5	2.0 to 3.2
Other	**12.8**	**1.0**	12.8	1.0

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the terminal growth rate used in the tests performed, that would have been required in order for the recoverable amount to equal the carrying value of the CGU at the date of the most recent impairment tests:

Operating segment	Increase in pre-tax discount rate	Decrease in terminal growth rate
	%	%
Communications	**0.4 to 12.1**	**0.6 to 43.8**
Other	**11.5**	**15.9**

17. PROVISIONS

During fiscal 2019, provisions variations were as follows:

Year ended August 31, 2019	Withholding and stamp taxes [1]	Programming and content costs [2]	Other [3]	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Balance, beginning of the year	**7,232**	**6,596**	**12,309**	**26,137**
Provisions made during the year	**—**	**13,932**	**3,990**	**17,922**
Provisions used during the year	**—**	**(1,205)**	**(6)**	**(1,211)**
Provisions reversed during the year	**—**	**(5,748)**	**—**	**(5,748)**
Foreign currency translation adjustments	**(255)**	**10**	**13**	**(232)**
Discontinued operations	**—**	**—**	**(65)**	**(65)**
Balance, end of the year	**6,977**	**13,585**	**16,241**	**36,803**

(1) The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a subsidiary by Cogeco Communications.

(2) The provisions for programming and content costs include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

(3) The other provisions include provisions for contractual obligations and other legal obligations.

18. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Advance billings	**36,085**	52,372
Deferred customer connection fees	**17,642**	24,779
Customer deposits and prepayments	**909**	904
Contract liabilities	**54,636**	78,055
Other liabilities	**3,582**	2,037
	58,218	80,092

Contract liabilities represent future performance obligations to our customers with respect to services or goods for which consideration was received or is due from the customer. During fiscal 2019 and 2018, contract liabilities variations were as follows:

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**78,055**	89,789
Revenue deferred in the previous period and recognized in the current period	**(39,190)**	(55,316)
Net additions arising from operations	**40,373**	44,263
Additions arising from business combinations	**498**	—
Foreign currency translation adjustments	**584**	968
Discontinued operations	**(25,684)**	(1,649)
Balance, end of the year	**54,636**	78,055

19. LONG-TERM DEBT

At August 31,	Maturity	Interest rate		2019	2018
(In thousands of Canadian dollars, except percentages)		%		$	$
Corporation					
Term Revolving Facility [a)]					
Revolving loan	February 2024	—		—	1,995
Revolving loan – US$16.7 million	February 2024	3.31	(1) (2)	22,203	—
Unsecured Debentures [b)]	November 2021	6.50		34,901	34,860
Finance lease	February 2022	4.27		60	81
Subsidiaries					
Term Revolving Facility [c)]					
Canadian Revolving Facility					
Revolving loan – US$310 million in 2018	January 2024	—		—	404,705
Senior Secured Notes [d)]					
Series A – US$25 million	September 2024	4.14		33,155	32,540
Series B - US$150 million	September 2026	4.29		198,845	195,176
Senior Secured Notes Series B [e)]		—		—	54,994
Senior Secured Notes - US$215 million [f)]	June 2025	4.30		284,996	279,711
Senior Secured Debentures Series 2 [g)]	November 2020	5.15		199,744	199,544
Senior Secured Debentures Series 3 [h)]	February 2022	4.93		199,457	199,255
Senior Secured Debentures Series 4 [i)]	May 2023	4.18		298,697	298,381
First Lien Credit Facilities [j)]					
Senior Secured Term Loan B Facility - US$1,678.8 million (US$1,695.8 million in 2018)	January 2025	4.36	(1) (3)	2,189,965	2,167,792
Senior Secured Revolving Facility - US$20 million in 2018	January 2023	—		—	26,110
				3,462,023	3,895,144
Less current portion				22,624	77,209
				3,439,399	3,817,935

(1) Interest rate on debt includes applicable credit spread.

(2) An amount of US$16.7 million drawn under the Corporation's Revolving loan facility was hedged until September 30, 2019, using a cross-currency swap agreement which sets the amount redeemable at maturity at $22.1 million and the effective interest rate on the Canadian dollar equivalent at 2.845%.

(3) A US subsidiary of Cogeco Communications entered into interest rate swap agreements to fix the interest rate on a notional amount of 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 Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 4.38%.

a) The Corporation benefits from a Term Revolving Facility of $100 million, including a swingline limit of $7.5 million. On December 3, 2018, the availability was increased from $50 million to $100 million and the maturity was extended until February 1, 2024, and can be further extended annually. The Term Revolving Facility can be repaid at any time without penalty and is 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 the Corporation and certain of its subsidiaries, excluding the capital stock and assets of the Corporation's subsidiary, Cogeco Communications, and guaranteed by its subsidiaries, excluding Cogeco Communications and its subsidiaries. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants. Generally, the most significant restrictions are related to permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares, share repurchases and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA from continuing operations, adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA"), to financial expense and to total indebtedness. The Term Revolving Facility bears interest based, at the Corporation's option, on bankers' acceptance, LIBOR in US dollars, bank prime rate or US base rate plus the applicable credit spread, and commitment fees are payable on the unused portion.

b) On November 7, 2011, the Corporation completed, pursuant to a private placement, the issuance of 6.50% Unsecured Debentures for a total of $35 million maturing November 7, 2021. Interest on these Notes is payable semi-annually in arrears on November 7 and May 7 of each year commencing May 7, 2012.

c) The Corporation's subsidiary, Cogeco Communications, has a Term Revolving Facility of $800 million with a syndicate of lenders. On December 4, 2018, the maturity was extended until January 24, 2024 and can be further extended annually. The amended and restated Term Revolving Facility is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable credit spread. The Term Revolving Facility provides access to a swingline with a limit of $30 million.The Term Revolving Facility is indirectly secured by a first priority fixed and floating charges and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of Cogeco Communications and its subsidiaries, except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries, except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA from continuing operations, adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

d) On August 27, 2014, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a private placement, the issuance of US$25 million Senior Secured Notes Series A and of US$150 million Senior Secured Notes Series B. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These Notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

e) The Corporation's subsidiary, Cogeco Communications, reimbursed the Senior Secured Notes Series B at their maturity date, on October 1, 2018.

f) On June 27, 2013, the Corporation's subsidiary, Cogeco Communications, completed, pursuant to a private placement, the issuance of US$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Cogeco Communications' option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

g) On November 16, 2010, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 2. These debentures mature on November 16, 2020 and bear interest at 5.15% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

h) On February 14, 2012, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 3. These debentures mature on February 14, 2022 and bear interest at 4.925% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

i) On May 27, 2013, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issuance of $300 million Senior Secured Debentures Series 4. These debentures mature on May 26, 2023 and bear interest at 4.175% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of Cogeco Communications and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios..

j) On January 4, 2018, in connection with the financing of the MetroCast acquisition by Cogeco Communications' subsidiary, Atlantic Broadband, 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. 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.

The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. 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 and such payments starting in fiscal 2020, if applicable.

(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.

ABB's leverage ratio was below 4.6 to 1.0 as of August 31, 2019, therefore no excess cash flow prepayments are applicable in fiscal 2020. The First Lien Credit Facilities are non-recourse to Cogeco Communications and most of its Canadian subsidiaries, 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 and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

20. 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

At August 31,	2019	2018
(In thousands of Canadian dollars, except number of shares)	$	$
1,812,860 multiple voting shares	12	12
14,308,445 subordinate voting shares (14,574,435 at August 31, 2018)	116,198	118,358
	116,210	118,370
63,075 subordinate voting shares held in trust under the Incentive Share Unit Plan (61,375 at August 31, 2018)	(4,577)	(4,237)
72,691 subordinate voting shares held in trust under the Performance Share Unit Plan (72,359 at August 31, 2018)	(5,527)	(5,295)
	106,106	108,838

During fiscal 2019 and 2018, multiple voting share transactions were as follows:

Years ended August 31,		2019		2018
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	1,812,860	12	1,842,860	12
Conversion of multiple voting shares into subordinate voting shares	—	—	(30,000)	—
Balance, end of the year	1,812,860	12	1,812,860	12

During fiscal 2019 and 2018, subordinate voting share transactions were as follows:

Years ended August 31,		2019		2018
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	14,574,435	118,358	14,750,245	120,031
Purchase and cancellation of subordinate voting shares (1)	(265,990)	(2,160)	(205,810)	(1,673)
Conversion of multiple voting shares into subordinate voting shares	—	—	30,000	—
Balance, end of the year	14,308,445	116,198	14,574,435	118,358

(1) On July 31, 2019 Cogeco announced that the TSX accepted its renewed notice of intention for a normal course issuer bid, enabling it to purchase for cancellation up to 300,000 additional subordinate voting shares from August 2, 2019 to August 1, 2020 (up to 550,000 subordinate voting shares from August 2, 2018 to August 1, 2019). During fiscal 2019, Cogeco purchased and cancelled 265,990 (205,810 in 2018) subordinate voting shares with an average stated value of $2.2 million ($1.7 million in 2018), for consideration of $20.6 million ($14.6 million in 2018). The excess of the purchase price over the average stated value of the shares totaled $18.4 million ($13.0 million in 2018) and was charged to retained earnings.

During fiscal 2019 and 2018, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,	**2019**		2018	
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**61,375**	**4,237**	50,178	2,590
Subordinate voting shares acquired	**18,576**	**1,507**	26,175	2,426
Subordinate voting shares distributed to employees	**(16,876)**	**(1,167)**	(14,978)	(779)
Balance, end of the year	**63,075**	**4,577**	61,375	4,237

During fiscal 2019 and 2018, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,	**2019**		2018	
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**72,359**	**5,295**	61,386	3,432
Subordinate voting shares acquired	**22,623**	**1,864**	33,979	3,149
Subordinate voting shares distributed to employees	**(22,291)**	**(1,632)**	(23,006)	(1,286)
Balance, end of the year	**72,691**	**5,527**	72,359	5,295

C) DIVIDENDS

For the year ended August 31, 2019, quarterly eligible dividends of $0.43 per share, for a total of $1.72 per share were paid to the shareholders of multiple and subordinate voting shares, totaling $27.8 million, compared to quarterly eligible dividends of $0.39 per share, for a total of $1.56 per share, or $25.5 million for the year ended August 31, 2018.

For the year ended August 31, 2019, quarterly eligible dividends of $0.525 per share, for a total of $2.10 per share, were paid by the Corporation's subsidiary, Cogeco Communications, to non-controlling interest, totaling $70.8 million, compared to quarterly eligible dividends of $0.475 per share, for a total of $1.90 per share or $63.9 million for the year ended August 31, 2018.

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Attributable to owners of the Corporation		
Dividends on multiple voting shares	**3,118**	2,840
Dividends on subordinate voting shares	**24,654**	22,699
	27,772	25,539
Attributable to non-controlling interest		
Dividends on subordinate voting shares	**70,757**	63,886

At its October 30, 2019 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.475 per share for multiple voting and subordinate voting shares, payable on November 27, 2019, to shareholders of record on November 13, 2019.

D) SHARE-BASED PAYMENT PLANS

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

Stock purchase plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their employees and those of their subsidiaries, Employee Stock Purchase Plans, which are accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation and its subsidiary contribute 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plans

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their executive officers and designated employees Stock Options Plans. Under the plans' conditions, the minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options granted vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

A total of 1,545,700 subordinate voting shares are reserved, for the purpose of Cogeco's Stock Option Plan. During fiscal years 2019 and 2018, no stock options were granted to employees by Cogeco and no stock options were outstanding at August 31, 2019 and 2018.

A total of 3,432,500 subordinate voting shares of Cogeco Communications are reserved for the purpose of its Stock Option Plan.

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

Years ended August 31,		2019		2018
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	819,393	65.27	652,385	56.61
Granted (1)	201,525	65.62	281,350	85.08
Exercised (2)	(170,754)	57.28	(60,337)	57.77
Cancelled	(134,550)	72.43	(54,005)	72.28
Outstanding, end of the year	715,614	65.93	819,393	65.27
Exercisable, end of the year	264,374	55.99	277,108	49.76

(1) For the year ended August 31, 2019, Cogeco Communications granted 97,725 (126,425 in 2018) stock options to Cogeco executive officers as executive officers of Cogeco Communications.

(2) The weighted average share price for options exercised during the year was $92.43 ($83.46 in 2018).

At August 31, 2019, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2019			Options outstanding		Options exercisable
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$		(years)	$		$
38.08 to 50.10	138,699	3.10	44.75	138,699	44.75
50.11 to 62.13	162,500	6.54	61.84	67,175	61.64
62.14 to 65.75	163,490	9.08	65.19	1,160	65.61
65.76 to 85.00	65,290	6.24	67.58	28,740	67.58
85.01 to 103.09	185,635	8.21	85.40	28,600	85.20
	715,614	6.86	65.93	264,374	55.99

The weighted average fair value of stock options granted for the period ended August 31, 2019 was $9.60 ($13.37 in 2018) 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:

Years ended August 31,	2019	2018
	%	%
Expected dividend yield	3.18	2.24
Expected volatility (1)	20.37	20.12
Risk-free interest rate	2.42	1.65
Expected life (in years)	6.0	6.0

(1) The expected volatility is based on the historical volatility of Cogeco Communications' subordinate voting shares for a period equivalent to the expected life of the options.

A compensation expense of $1,425,000 ($1,788,000 in 2018) was recorded for the year ended August 31, 2019 related to this plan.

ISU plans

The Corporation and its subsidiary, Cogeco Communications, offer executive officers and designated employees Incentive Share Unit ("ISU") Plans. According to the plans, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation or its subsidiary after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustees to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trusts for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plans presented in reduction of share capital or non-controlling interest.

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	61,700	50,178
Granted	18,800	26,500
Distributed	(16,876)	(14,978)
Cancelled	(549)	—
Outstanding, end of the year	63,075	61,700

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	105,475	101,538
Granted	37,600	47,900
Distributed	(44,470)	(35,892)
Cancelled	(26,780)	(8,071)
Outstanding, end of the year	71,825	105,475

A compensation expense of $3,550,000 ($3,704,000 in 2018) was recorded for the year ended August 31, 2019 related to these plans.

PSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Performance Share Unit ("PSU") Plans for executive officers and designated employees. The objectives of the PSU Plans are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by an economic value creation formula, a performance measure used by management. The number of PSUs is based on the dollar value of the award and the average closing stock price of the Corporation and its subsidiary for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the economic value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the economic value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to vested PSUs. PSUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. Two trusts were created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation and its subsidiary instructed the trustee to purchase subordinate voting shares of the Corporation and its subsidiary on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trusts, considered as special purpose entities, are consolidated in the Corporation's financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plans presented in reduction of share capital or non-controlling interest.

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	72,946	61,142
Granted	19,475	29,075
Performance-based additional units granted	3,045	4,196
Distributed	(22,291)	(23,006)
Cancelled	(2,347)	—
Dividend equivalents	1,687	1,539
Outstanding, end of the year	72,515	72,946

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	**133,181**	115,207
Granted (1)	**45,800**	65,525
Performance-based additional units granted	**200**	2,639
Distributed	**(43,319)**	(41,441)
Cancelled	**(31,889)**	(12,184)
Dividend equivalents	**3,578**	3,435
Outstanding, end of the year	**107,551**	133,181

(1) For the year ended August 31, 2019, Cogeco Communications granted 14,625 (19,025 in 2018) PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $3,562,000 ($4,816,000 in 2018) was recorded for the year ended August 31, 2019 related to these plans.

DSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer Deferred Share Unit ("DSU") Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on their respective Boards. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of DSUs with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	**41,806**	60,374
Issued	**4,216**	3,797
Redeemed	**(13,966)**	(23,328)
Dividend equivalents	**821**	963
Outstanding, end of the year	**32,877**	41,806

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

Years ended August 31,	2019	2018
Outstanding, beginning of the year	**42,607**	40,446
Issued	**11,328**	6,662
Redeemed	**(12,351)**	(5,549)
Dividend equivalents	**1,095**	1,048
Outstanding, end of the year	**42,679**	42,607

A compensation expense reduction of $3,988,000 (a compensation expense reduction of $62,000 in 2018) was recorded for the year ended August 31, 2019 related to these plans.

21. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2019 and 2018, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2019 and 2018	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
		(restated, Note 3)	*(restated, Note 3)*
Balance at August 31, 2017	130	24,445	24,575
Other comprehensive income for the year	8,036	3,724	11,760
Balance at August 31, 2018	**8,166**	**28,169**	**36,335**
Other comprehensive loss for the year	**(18,906)**	**(7,313)**	**(26,219)**
Balance at August 31, 2019	**(10,740)**	**20,856**	**10,116**

22. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	2019	2018
(in thousands of Canadian dollars)	$	$
		(restated, Note 3)
Trade and other receivables	**(910)**	(2,154)
Prepaid expenses and other	**(1,364)**	(4,167)
Other assets	**(8,665)**	(5,930)
Trade and other payables	**(25,586)**	(8,418)
Provisions	**10,103**	4,410
Contract liabilities and other liabilities	**3,758**	(10,772)
	(22,664)	(27,031)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Years ended August 31, 2019 and 2018	Bank indebtedness	Balance due on business combinations	Current and non-current portion of long-term debt	Total
(In thousands of Canadian dollars)	$	$	$	$
Balance at August 31, 2017	3,801	118	2,611,356	2,615,275
Increase in bank indebtedness	2,148	—	—	2,148
Net increase under the revolving facilities	—	—	386,563	386,563
Issuance of long-term debt, net of discounts and transaction costs	—	—	2,082,408	2,082,408
Repayment of long-term debt	—	—	(1,329,064)	(1,329,064)
Repayment of balance due on business combinations	—	(118)	—	(118)
Total cash flows from (used in) financing activities excluding equity	2,148	(118)	1,139,907	1,141,937
Effect of changes in foreign exchange rates	—	—	126,789	126,789
Amortization of discounts and transaction costs	—	—	17,092	17,092
Total non-cash changes	—	—	143,881	143,881
Balance at August 31, 2018	**5,949**	**—**	**3,895,144**	**3,901,093**
Decrease in bank indebtedness	**(5,949)**	**—**	**—**	**(5,949)**
Net decrease under the revolving facilities	**—**	**—**	**(423,516)**	**(423,516)**
Repayment of long-term debt	**—**	**—**	**(77,660)**	**(77,660)**
Increase in deferred transaction costs	**—**	**—**	**(1,778)**	**(1,778)**
Balance due on business combinations	**—**	**7,005**	**—**	**7,005**
Repayment of balance due on business combinations	**—**	**(655)**	**—**	**(655)**
Total cash flows from (used in) financing activities excluding equity	**(5,949)**	**6,350**	**(502,954)**	**(502,553)**
Effect of changes in foreign exchange rates	**—**	**170**	**62,173**	**62,343**
Amortization of discounts and transaction costs	**—**	**—**	**7,660**	**7,660**
Total non-cash changes	**—**	**170**	**69,833**	**70,003**
Balance at August 31, 2019	**—**	**6,520**	**3,462,023**	**3,468,543**

23. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to their employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to $9,429,000 ($9,145,000 in 2018) for the year ended August 31, 2019 and are included in the Corporation's consolidated statement of profit and loss under "salaries, employee benefits and outsourced services".

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor defined benefit plans for the benefit of their employees and separate defined benefit plans for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers supplementary pension plans. Each year at August 31 the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2018 and the next required valuation is at August 31, 2019, which is expected to be completed in February 2020. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2017 and the next required valuation is at August 31, 2020.

The following table provides a reconciliation of the change in the defined benefit obligations and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31, *(In thousands of Canadian dollars)*	2019 $	2018 $
Defined benefit obligation [(1)]		
Defined benefit obligation, beginning of the year	101,743	100,052
Current service cost	3,291	3,002
Interest cost	3,801	3,584
Contributions by plan participants	365	357
Benefits paid	(2,605)	(2,721)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	(573)	(473)
Changes in financial assumptions	12,068	(2,058)
Defined benefit obligation, end of the year	117,959	101,743
Plan assets at fair value		
Plan assets at fair value, beginning of the year	108,601	101,256
Interest income	3,975	3,582
Return on plan assets, except amounts included in interest income	(10,190)	3,767
Administrative expense	(471)	(371)
Contributions by plan participants	365	357
Employer contributions	858	2,731
Benefits paid	(2,605)	(2,721)
Plan assets at fair value, end of the year	100,533	108,601
Funded status		
Plan assets at fair value	100,533	108,601
Defined benefit obligation	117,959	101,743
Net defined benefit asset (liability)	(17,426)	6,858

(1) The weighted average duration of the defined benefit obligation at August 31, 2019 and 2018 is 14 years.

The net defined benefit asset and liability is included in the Corporation's consolidated statement of financial position under ''Pension plan assets'' and "Pension plan liabilities and accrued employee benefits", respectively.

Pension plan liabilities and accrued employee benefits

At August 31, *(In thousands of Canadian dollars)*	2019 $	2018 $
Pension plan liabilities	17,426	—
Accrued employee benefits	6,760	5,390
	24,186	5,390

Defined benefit costs recognized in profit or loss

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	3,291	3,002
Past service cost	(131)	—
Administrative expense	471	371
Recognized in financial expense (other)		
Net interest	(174)	2
	3,457	3,375

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	(573)	(473)
Change in financial assumptions	12,068	(2,058)
Return on plan assets, except amounts included in interest income	10,190	(3,767)
	21,685	(6,298)

The expected employer contributions to the Corporation's defined benefit plans should be approximately $5,175,000 in 2020.

Plan assets consist of:

At August 31,	2019	2018
	%	%
Equity securities (1)	57	57
Debt securities (1)	13	14
Deposits in trust (2)	25	24
Other	5	5
Total	100	100

(1) All debt and equity securities have a quoted price in active markets.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest-bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	2019	2018
	%	%
Defined benefit obligation		
Discount rate	2.85	3.65
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	3.00	3.75
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate Corporate bonds will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation was calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analysis was prepared in accordance with the Corporation's accounting policies described in Note 2 L). The actual results of items subject to estimates may differ.

At August 31, 2019	Change in assumption	Increase in the defined benefit obligation
(In thousands of Canadian dollars)	%	$
Discount rate decrease	0.10	1,608
Expected rate of compensation increase	0.25	280

24. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management’s objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate and foreign exchange risk.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the statement of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2019, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor’s rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer's balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Trade accounts receivable	97,530	117,157
Allowance for doubtful accounts	(7,156)	(6,838)
	90,374	110,319
Other accounts receivable	8,001	8,399
	98,375	118,718

Trade accounts receivable past due is defined as amount outstanding beyond normal credit terms and conditions for the respective customers. A large portion of the Corporation's customers are billed and pay before the services are rendered. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. The following table provides further details on trade accounts receivable past due net of allowance for doubtful accounts at August 31, 2019 and 2018:

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Less than 60 days past due	29,952	44,201
60 to 90 days past due	2,956	4,375
More than 90 days past due	5,103	5,751
	38,011	54,327

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2019 and 2018:

Years ended August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	6,838	4,355
Provision for impaired receivables	24,427	19,042
Net use	(23,488)	(15,476)
Foreign currency translation adjustments	21	38
Discontinued operations	(642)	(1,121)
Balance, end of the year	7,156	6,838

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2019, an amount of $22.2 million was used from the Corporation's Term Revolving Facility of $100 million and $0.6 million was used from Cogeco Communications' Term Revolving Facility of $800 million, for remaining availabilities of $77.8 million and $799.4 million, respectively. Management believes that the committed revolving credit facilities will, until their maturities in 2024, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries of Cogeco Communications, also benefit from a Revolving Facility of $199.4 million (US$150 million) of which $3.2 million (US$2.4 million) was used at August 31, 2019 for a remaining availability of $196.2 million (US$147.6 million).

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2019:

		Contractual cash flows						
	Carrying amount	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Trade and other payables [1]	**260,785**	**260,785**	**—**	**—**	**—**	**—**	**—**	**260,785**
Long-term debt	**3,462,023**	**22,624**	**222,626**	**257,614**	**322,602**	**44,804**	**2,637,396**	**3,507,666**
Balance due on business combinations	**6,520**	**6,520**	**—**	**—**	**—**	**—**	**—**	**6,520**
Other liabilities	**1,015**	**169**	**169**	**169**	**169**	**169**	**170**	**1,015**
	3,730,343	**290,098**	**222,795**	**257,783**	**322,771**	**44,973**	**2,637,566**	**3,775,986**

(1) Excluding accrued interest on long-term debt.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter, based on the principal amount and interest rate prevailing on the outstanding debt at August 31, 2019 and their respective maturities:

	2020	2021	2022	2023	2024	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**154,894**	**148,758**	**136,559**	**129,511**	**115,571**	**72,837**	**758,130**
Interest receipts on derivative financial instruments	**(30,887)**	**(25,482)**	**(21,621)**	**(17,854)**	**(10,412)**	**(1,755)**	**(108,011)**
Interest payments on derivative financial instruments	**31,263**	**25,760**	**21,830**	**18,016**	**10,410**	**1,731**	**109,010**
	155,270	**149,036**	**136,768**	**129,673**	**115,569**	**72,813**	**759,129**

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks on their floating interest rate instruments. Interest rates fluctuations will have an effect on the repayment of these instruments. At August 31, 2019, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility and Cogeco Communications' First Lien Credit Facilities which are subject to floating interest rates.

To mitigate such risk, Cogeco Communications' US subsidiary entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2019:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US Libor base rate	2.017% - 2.262%	January 2021 - 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 is approximately $7.9 million based on the outstanding debt at August 31, 2019.

Foreign exchange risk

Cogeco Communications is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximatively $12 million based on the outstanding debt at August 31, 2019.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents, trade and other receivables, trade and other payables and provisions denominated in US dollars, Euros or British Pounds. The Corporation's exposure to foreign currency risk is as follows:

At August 31,			**2019**			2018
	US	**Euro**	**British Pounds**	US	Euro	British Pounds
(In thousands of Canadian dollars)	$	$	$	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**10,667**	**455**	**42**	18,415	961	93
Trade and other receivables	**—**	**—**	**—**	3,625	191	—
Trade and other payables and provisions	**(10,644)**	**(6,977)**	**—**	(22,017)	(7,232)	—
	23	**(6,522)**	**42**	23	(6,080)	93

Due to their short-term nature, the risk arising from fluctuations in foreign exchange rates is not significant. The impact of a 10% fluctuation in the foreign exchange rates (US dollar, Euro and British Pound) would not change financial expense significantly.

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

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

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investments	US$390 million	US$1,000 million	Net investments in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2019 was $1.3295 ($1.3055 in 2018) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $81.1 million.

Market risk

The Corporation and its subsidiary, Cogeco Communications, use derivative instruments to manage the exposure to the risk of changes in the price of their subordinate voting shares under the DSU plans. As such, the Corporation and Cogeco Communications use equity swap agreements on their subordinate voting shares to economically hedge the cash flow exposure. A 5% variation in the market price of their subordinate voting shares at August 31, 2019 would result in a variation, net of the hedge, of approximately $0.1 million in operating expenses for 2019.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facilities and First Lien Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds loans plus applicable credit spread. Therefore, the carrying value approximates fair value for these facilities, since they have conditions similar to those currently available to the Corporation;
- The fair value of the Senior Secured Debentures Series 2, 3 and 4, Senior Secured Notes Series B, Senior Secured Notes and Unsecured Debentures are based upon current trading values for similar financial instruments; and
- The fair values of finance leases are not significantly different from their carrying amounts.

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

At August 31,		2019		2018
	Carrying value	Fair value	Carrying value	Fair value
(In thousands of Canadian dollars)	$	$	$	$
Long-term debt	**3,462,023**	**3,580,480**	3,895,144	3,980,600

All financial instruments recognized at fair value on the consolidated statement of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations and the level of distribution to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness, long-term debt and assets or liabilities related to derivative financial instruments.
The provisions of financing agreements of the Corporation and its subsidiary, Cogeco Communications provide for restrictions on their activities. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2019 and 2018 the Corporation and its subsidiary 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:

Years ended August 31,	2019	2018 (4)
Net secured indebtedness (1) / adjusted EBITDA (3)	2.6	3.7
Net indebtedness (2) / adjusted EBITDA (3)	2.6	3.7
Adjusted EBITDA (3) / financial expense (3)	6.3	5.5

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

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

(3) Adjusted EBITDA and financial expense for the year ended August 31, 2018 include eight months of MetroCast operations.

(4) Ratios for 2018 include indebtedness related to the Cogeco Peer 1 subsidiary, which was reimbursed following its disposal in fiscal 2019.

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

Years ended August 31,	2019	2018 (3)
Net indebtedness (1) / adjusted EBITDA (2)	2.6	3.8
Adjusted EBITDA (2) / financial expense (2)	6.3	5.4

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

(2) Adjusted EBITDA and financial expense for the year ended August 31, 2018 include eight months of MetroCast operations.

(3) Ratios for 2018 include indebtedness related to the Cogeco Peer 1 subsidiary, which was reimbursed following its disposal in fiscal 2019.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2019	2018
(In thousands of Canadian dollars)	$	$
Financial assets		
Financial assets measured and classified at amortized cost	657,768	205,070
Derivative financial instruments in designated hedge relationships	109	35,126
	657,877	240,196
Financial liabilities		
Financial liabilities measured and classified at amortized cost	3,746,339	4,221,399
Derivative financial instruments in designated hedge relationships	46,044	—
	3,792,383	4,221,399

25. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco is the parent company of Cogeco Communications and holds 31.8% of Cogeco Communications' equity shares, representing 82.3% of Cogeco Communications' voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and additional services to Cogeco Communications under a Management Services Agreement (the "Agreement"). On May 1, 2019, Cogeco and Cogeco Communications agreed to amend the Agreement in order to replace the methodology used to establish the management fees payable by Cogeco Communications to Cogeco, which was based on a percentage of the consolidated revenue of Cogeco Communications, with a new methodology based on the costs incurred by Cogeco plus a reasonable mark-up. This cost-plus methodology was adopted to avoid future variations of the management fee percentage due to frequent changes to Cogeco Communications' consolidated revenue pursuant to business acquisitions and divestitures. Prior to this change, management fees represented 0.75% of the consolidated revenue from continuing and discontinued operations of Cogeco Communications (0.85% for the period prior to the MetroCast acquisition on January 4, 2018). Provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation from time to time during the term of the Agreement. For fiscal 2019 management fees paid to Cogeco amounted to $19.9 million, compared to $19.0 million for fiscal 2018.

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

Years ended August 31,	**2019**	2018
Stock options	**97,725**	126,425
PSUs	**14,625**	19,025

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

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Stock options	**1,046**	915
ISUs	**61**	1
PSUs	**981**	990
DSUs	**631**	—

B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services is as follows:

Years ended August 31,	**2019**	2018
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employee benefits	**5,126**	5,090
Post-employment benefits	**1,811**	597
Share-based payments	**3,480**	7,204
	10,417	12,891

26. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2019, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2020	2021	2022	2023	2024	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements [1]	**26,093**	**25,186**	**23,567**	**23,912**	**22,437**	**69,752**
Acquisitions of property, plant and equipment and intangible assets [2]	**15,201**	**14,625**	**22,355**	**18,613**	**21,272**	**—**
Other long-term contracts [3]	**36,518**	**21,769**	**9,863**	**8,464**	**7,116**	**20,113**
	77,812	**61,580**	**55,785**	**50,989**	**50,825**	**89,865**

(1) Include operating lease agreements for rent of premises and support structures.

(2) Include minimum spend commitments under acquisitions of customer premise equipment and software licenses.

(3) Include long-term commitments with suppliers to provide services including minimum spend commitments.

B) CONTINGENCIES

On August 15, 2019, the CRTC issued its costing decision setting final rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, Cogeco Communications along with other telecommunications service providers, jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. The FCA granted the interim stay on September 27, 2019, with the result, for the time being, of not having to implement the new rates nor to make the retroactive payments estimated at $25 million for the Corporation as of August 31, 2019, based on the CRTC's final aggregated wholesale service rates being disputed in court. Due to FCA granting of the interim stay and the significant uncertainty surrounding both the outcome and the amount, the Corporation has therefore not recorded the impact of the new reduced rates in the 2019 financial statements.

The Corporation and its subsidiaries are involved in matters involving litigations or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to litigations to be significant to these consolidated financial statements. At August 31, 2019 and 2018, no liability has been recorded with respect to these litigations and potential claims, except for those disclosed in Note 17.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. At August 31, 2019 and 2018, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 17.

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnifications relating to failure to perform covenants and breach of representations and warranties, the Corporation and its subsidiaries have agreed to indemnify the seller or the purchaser against claims related to events that occurred prior to the date of acquisition or sale.

Long-term debt

Under the terms of Cogeco Communications' Senior Secured Notes, the subsidiary has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Employees and contractuals indemnification agreements

The Corporation's subsidiary, Cogeco Media, indemnifies certain of its on-air hosts against charges, costs and expenses as a result of any lawsuit, resulting from judicial or administrative proceedings in which they are named as defending party and arising from the performance of their services. The Corporation has purchased employees' and contractual's liability insurance with a deductible per loss.

Sale of services

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

27. NON-MONETARY TRANSACTIONS

During fiscal 2019, the Corporation's subsidiary, Cogeco Media, entered into non-monetary transactions. An amount of $3.8 million ($4.4 million in 2018) of revenue and $3.9 million ($4.7 million in 2018) of operating expenses were recorded.

INVESTOR INFORMATION

CREDIT RATINGS

COGECO COMMUNICATIONS

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

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

NR : Not rated

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

SHARE INFORMATION

At August 31, 2019		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	**1,812,860**	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**14,308,445**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its October 30, 2019 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.475 per share for multiple voting and subordinate voting shares, payable on November 27, 2019 to shareholders of record on November 13, 2019. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

TRADING STATISTICS

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2019 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	66.25	73.49	88.17	97.39	
Low	57.53	54.93	73.16	81.63	
Close	62.23	72.99	84.47	93.84	
Volume (subordinate voting shares)	860,239	916,676	1,163,035	1,206,204	4,146,154

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2018 Total
(in dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	96.75	96.87	75.95	67.17	
Low	77.41	69.76	64.25	57.15	
Close	96.57	71.70	65.25	62.07	
Volume (subordinate voting shares)	1,923,844	1,196,567	919,499	925,632	4,965,542

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
CONSOLIDATED					
Primary service units	**2,711,812**	**2,707,227**	**2,703,223**	**2,711,932**	2,751,383
Internet service customers	**1,234,380**	**1,229,399**	**1,214,566**	**1,204,602**	1,207,225
Video service customers	**962,138**	**965,008**	**976,377**	**988,398**	1,006,020
Telephony service customers	**515,294**	**512,820**	**512,280**	**518,932**	538,138
CANADA					
Primary service units	**1,810,366**	**1,813,212**	**1,825,011**	**1,831,628**	1,866,918
Internet service customers	**788,243**	**785,703**	**785,004**	**778,996**	782,277
Penetration as a percentage of homes passed	**44.7%**	**44.6%**	**44.7%**	**44.4%**	44.7%
Video service customers	**649,583**	**657,747**	**668,771**	**675,699**	688,768
Penetration as a percentage of homes passed	**36.8%**	**37.4%**	**38.1%**	**38.5%**	39.3%
Telephony service customers	**372,540**	**369,762**	**371,236**	**376,933**	395,873
Penetration as a percentage of homes passed	**21.1%**	**21.0%**	**21.1%**	**21.5%**	22.6%
UNITED STATES					
Primary service units	**901,446**	**894,015**	**878,212**	**880,304**	884,465
Internet service customers	**446,137**	**443,696**	**429,562**	**425,606**	424,948
Penetration as a percentage of homes passed(1)	**50.8%**	**50.7%**	**49.6%**	**49.2%**	49.7%
Video service customers	**312,555**	**307,261**	**307,606**	**312,699**	317,252
Penetration as a percentage of homes passed(1)	**35.6%**	**35.1%**	**35.5%**	**36.2%**	37.1%
Telephony service customers	**142,754**	**143,058**	**141,044**	**141,999**	142,265
Penetration as a percentage of homes passed(1)	**16.2%**	**16.3%**	**16.3%**	**16.4%**	16.6%

(1) In the first quarter of fiscal 2019, the number of homes passed in the American broadband services operations have been adjusted upwards in order to reflect the number of non-served multi-dwelling unit passings within the footprint and consequently, the penetration as a percentage of homes passed for fiscal 2018 have also been adjusted.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **LOUIS AUDET**, Eng., MBA, C.M., **Executive Chairman of the Board**
Westmount (Québec)

✪●■ **JAMES C. CHERRY**, B.Com, FCPA, FCA, **Lead Director**
Elizabethtown (Ontario)
Corporate Director

ARUN BAJAJ, LLB, BCL
Westmount (Québec)
Chief Human Resources Officer, Gildan Activewear Inc. (Canadian manufacturer of branded clothing)

♦■ **MARY-ANN BELL**, Eng., M.Sc., ASC
Montréal (Québec)
Corporate Director

● **SAMIH ELHAGE**, MASc, BSSc, BASc
Beirut (Lebanon)
Corporate Director

★ **PHILIPPE JETTÉ**, Eng.
Dollard-des-Ormeaux (Québec)
President and Chief Executive Officer of Cogeco and Cogeco Communications

●♦ **NORMAND LEGAULT**, B.B.A
Ville de Lac Brome (Québec)
Corporate Director

■♦★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Baie-D'Urfé (Québec)
Partner at McCarthy Tétrault (Major law firm in Canada)

Legend :

✪ Attends as an observer and participates in meetings of all the committees
● Member of the Audit Committee
■ Member of the Human Resources Committee
♦ Member of the Corporate Governance Committee
★ Member of the Strategic Opportunities Committee

CORPORATE HEAD OFFICE

5 Place Ville Marie
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Montréal (Québec)
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CORPORATE MANAGEMENT

LOUIS AUDET

Executive Chairman of the Board

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Enterprise Strategy and Social Responsibility

PHILIPPE BONIN

Vice President, Corporate Development

NATHALIE DORVAL

Vice President, Regulatory Affairs and Copyright

MARTIN GRENIER

Vice President, Procurement

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

MARIE-HÉLÈNE LABRIE

Senior Vice President, Chief Public Affairs and Communications Officer

PIERRE MAHEUX

Vice President, Corporate Controller

LUC NOISEUX

Senior Vice President and Chief Technology and Strategy Officer

DIANE NYISZTOR

Senior Vice President, Chief Human Resources Officer

PATRICE OUIMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President and Treasurer

SUBSIDIARIES INFORMATION

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President and Chief Executive Officer

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FRANK VAN DER POST
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MICHEL LORRAIN
President

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CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 11:45 a.m. on Wednesday, January 15, 2020, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
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TRANSFER AGENT FOR SUBORDINATE AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Corporation, please contact the Department of Finance of the Corporation.

SHAREHOLDERS

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

Cogeco Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the web site described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and/or the Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States: **1-877-706-2640**

Web site of ClearView Connects: www.clearviewconnects.com corpo.cogeco.com