POWERFUL CONNECTIONS FOR OUR CUSTOMERS

COGECO

GENUINE CONNECTIONS WITH OUR CUSTOMERS

2016 ANNUAL REPORT

Cogeco Inc.

2016 ANNUAL REPORT

PROFILE

Cogeco Inc. is a diversified holding corporation which operates in the communications and media sectors. Through its Cogeco Communications Inc. subsidiary, Cogeco provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Communications Inc. operates in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through Cogeco Peer 1, Cogeco Communications Inc. provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and managed services), through its 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

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

Cogeco Inc.'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).

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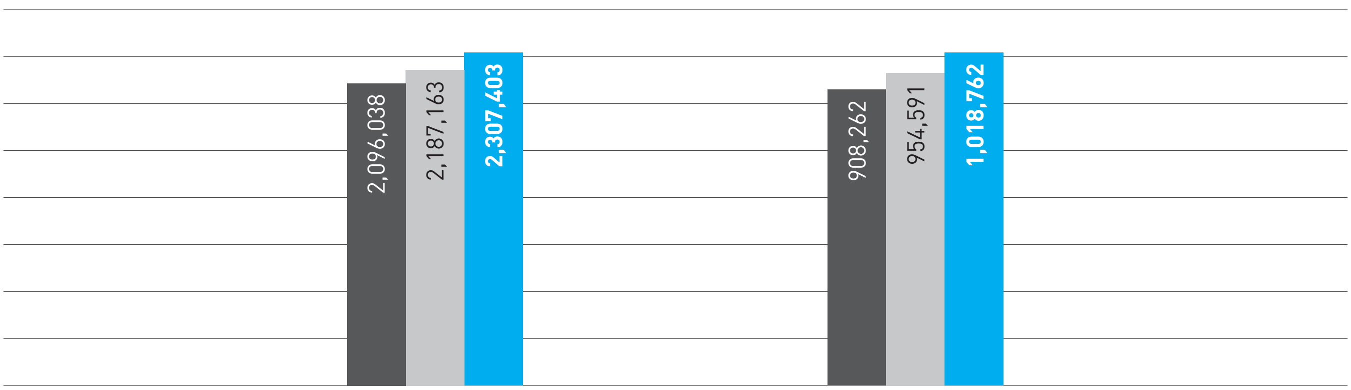
THREE-YEAR

FINANCIAL PERFORMANCE

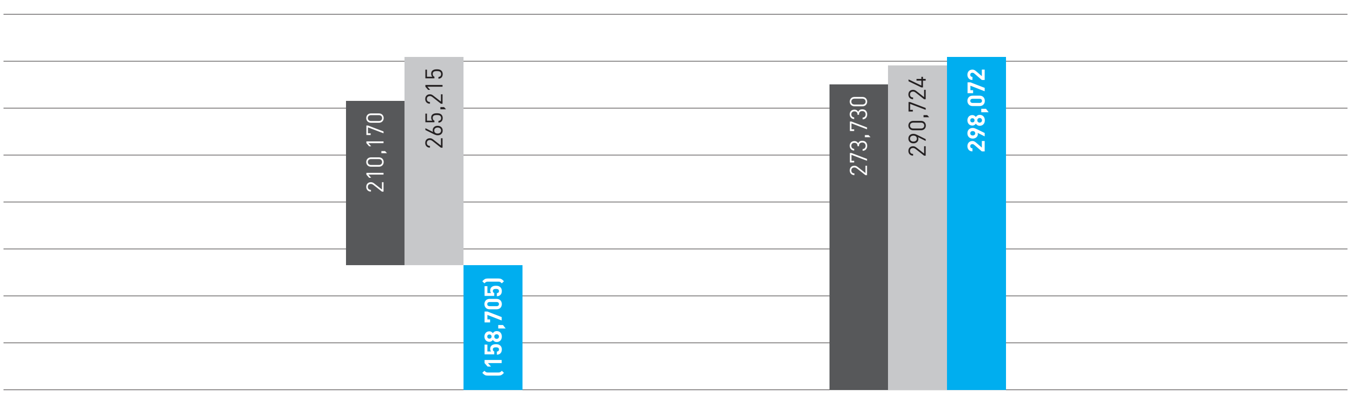
REVENUE
(in thousands of dollars)

ADJUSTED EBITDA*
(in thousands of dollars)



PROFIT (LOSS) FOR THE YEAR
(in thousands of dollars)

FREE CASH FLOW*
(in thousands of dollars)



2014 2015 2016

* 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").

FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31, *(in thousands of dollars, except percentages and per share data)*	2016 $	2015 $	CHANGE %
OPERATIONS			
Revenue	2,307,403	2,187,163	5.5
Adjusted EBITDA	1,018,762	954,591	6.7
Integration, restructuring and acquisition costs	8,802	13,950	(36.9)
Claims and litigations	10,791	(27,431)	—
Impairment of goodwill and intangible assets	450,000	—	—
Gain on disposal of a subsidiary	(13,107)	—	—
Profit (loss) for the year	(158,705)	265,215	—
Profit (loss) for the year attributable to owners of the Corporation	(29,351)	89,627	—
CASH FLOW			
Cash flow from operating activities	759,030	694,300	9.3
Acquisitions of property, plant and equipment, intangible and other assets	470,357	442,675	6.3
Free cash flow	298,072	290,724	2.5
FINANCIAL CONDITION			
Cash and cash equivalents	68,344	164,189	(58.4)
Property, plant and equipment	2,004,247	2,005,461	(0.1)
Total assets	5,499,613	6,205,795	(11.4)
Indebtedness[1]	2,974,119	3,361,948	(11.5)
Equity attributable to owners of the Corporation	548,129	603,598	(9.2)
PER SHARE DATA[2]			
Earnings (loss) per share			
Basic	(1.75)	5.35	—
Diluted	(1.75)	5.32	—
Dividends	1.18	1.02	15.7
Weighted average number of multiple and subordinate voting shares outstanding	16,728,185	16,737,173	(0.1)

(1) Indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments.

(2) Per multiple and subordinate voting share.

MESSAGE TO SHAREHOLDERS

JAN PEETERS
Chairman of the Board

LOUIS AUDET
President and Chief Executive Officer

Dear fellow shareholders,

For Cogeco Inc. ("Cogeco" or the "Corporation"), fiscal 2016 was a year where we further solidified our corporate identity as a leader in media and communications, strengthening our position in our markets. We achieved continued growth through rigorous cost control discipline in our spending and remain well-positioned to create value in the years ahead.

Consolidated revenue increased by 5.5% in fiscal 2016 to $2.31 billion, while adjusted EBITDA reached $1.02 billion, up by 6.7%. The Corporation generated free cash flow of $298.1 million; however, the Corporation incurred a loss for the year amounting to $158.7 million mainly due to the Communications segment's impairment of $450 million reported in the third quarter. Dividends paid to our shareholders increased by 15.7% to $19.7 million.

Shortly following the start of fiscal 2016, Cogeco undertook a rebranding exercise to ensure our name and visual identity reflect the company's growth and expansion over the past several years, while also launching us into the future. With new names and unified logos for Cogeco Media as well as Cogeco Communications and its subsidiaries, we have moved forward with renewed focus, ready to take on the challenges that lie ahead while remaining true to our origins, and mindful of our accountability towards our shareholders, customers and employees.

COGECO COMMUNICATIONS

A YEAR FOR UNITING, REDEFINING, AND LOOKING TO THE FUTURE WITH CONFIDENCE

Our performance in fiscal 2016 was marked by some very solid results from our American broadband services segment, while we continued to optimize our processes to bring down costs in our three operating segments: Canadian broadband services, American broadband services and Business information and communications technology ("Business ICT") services.

In fiscal 2016, our Canadian and American broadband services segments continued to demonstrate an ability to grow profitably, expanding and enhancing existing services at attractive prices. We improved our networks with state-of-the-art technologies while also improving our customers' experience, building our customer loyalty and retention.

In the Business ICT services segment, we have been working to grow our customer base through an enhanced go-to-market strategy, supported by exceptional customer service and new branding, while redefining our product suite to bring relevant solutions to market. We continued to strengthen internal processes and systems to improve operational efficiency, optimize infrastructure and minimize operating expenses.

INITIATIVES

Canadian broadband services segment

As part of Cogeco Communications' rebranding exercise in early January 2016, Cogeco Cable Canada was renamed Cogeco Connexion. The name reflects the company's mission and expresses the evolution of its offering, underlining the very human element of making a connection. In August 2016, the subsidiary followed this up by launching a new brand expression, inspired by its ability to innovate and deliver outstanding client experiences. The tag line "Switch on amazing" embodies its commitment to offering customers an unmatched experience at every level of interaction.

Upholding the Canadian Radio-television and Telecommunications Commission's ("CRTC") new *Let's Talk TV: A World of Choice* policy, on March 1, 2016, Cogeco Connexion unveiled new television packages. This included an entry-level package named "Basic Channels", comprised of local and regional over-the-air Canadian stations, mandatory distribution channels, community and educational channels, as well as affiliates of conventional American networks. In addition, Cogeco Connexion introduced smaller packages of services, and went even further by expanding the availability of its standalone channels, allowing customers to pay for the channels they really want to watch, thus exceeding the requirements of the CRTC's new policy and customers' expectations.

For the seventh year in the last nine, Cogeco Connexion was awarded a total of four awards by the Service Quality and Measurement Group, three of which were "Voice of the Customer Excellence Awards" for Highest Customer Service in North America, in the retail/service industry and the telecommunications/TV industry. It also won an award for the excellence of its technical employees in the field. These awards continue to demonstrate that our solid expertise and the strength of our customer relations are unrivalled.

Throughout fiscal 2016, Cogeco Connexion continued to consolidate and improve its network, enhancing its offering to residential and business customers, including the largest public free WiFi network in seven communities in Ontario and Québec in the communities it serves.

American broadband services segment

Our American subsidiary, Atlantic Broadband, completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC in late fiscal 2015. In fiscal 2016, Atlantic Broadband became the first company to launch widely available Gigabit Internet service in its new eastern Connecticut footprint. In this region, the subsidiary also launched an entirely new suite of video, Internet and telephony services, including TiVo, which achieved faster market penetration growth than in any other Atlantic Broadband region.

In March, Atlantic Broadband was named the exclusive provider of residential advanced video, Internet, and communication services for the Panorama Tower, a new 83-story development which will include 821 luxury apartments, in the heart of downtown Miami.

Business ICT services segment

The Corporation followed through on fiscal 2015's integration of the Cogeco Data Services and Peer 1 Hosting teams to create Cogeco Peer 1, in October 2015. With its new name and brand identity, the subsidiary has been building a solid and seasoned leadership team across continents, with the track record and vision to carry out its strategy and objectives in this segment.

Cogeco Peer 1 began fiscal 2016 by officially opening a state-of-the-art data centre in Montréal ("Kirkland"), Québec, and has since signed a large colocation contract in this data centre.

In April 2016, our Business ICT services subsidiary announced the launch of a new network infrastructure in Mexico City. This new point of presence was constructed to accommodate Cogeco Peer 1's broadening customer base and represents the Corporation's growing commitment to the Latin America market.

In increasingly competitive cloud and managed services markets, Cogeco Peer 1 announced a collaboration with Microsoft Azure in June 2016. Microsoft's hyper-scale cloud services are now integrated with Cogeco Peer 1's global cloud infrastructure, to better serve customers starting in fall 2016.

In early fiscal 2017, IDC Marketscape recognized Cogeco Peer 1 as a leader in Canadian data centre operations and management, as part of their Canadian Data Centre Operations and Management 2016 Vendor Assessment. The assessment recognizes Cogeco Peer 1's data centres, FastFiber Network® and hybrid IT solutions, all of which increase its ability to help Canadian organizations migrate from on-premise facilities to third-party data centres and hybrid environments.

CORPORATE SOCIAL RESPONSIBILITY – PROGRESS AND RECOGNITION

Cogeco strives to improve its performance in Corporate Social Responsibility ("CSR") in line with the expectations of its stakeholders, its corporate values and its business objectives, with the support of leaders from all our business units and a sound corporate governance framework. To achieve our goals of reducing our environmental footprint and having a positive impact on society, we have developed key performance indicators for social, economic and environmental objectives which are tracked and reported on a biannual basis to the Corporate Governance Committee.

Amongst our initiatives and achievements in fiscal 2016 was the publication of Cogeco Communications' third Corporate Social Responsibility report. Each of our operating units developed a three-year action plan to integrate the CSR principles into their activities and operations, which contributed to shaping our corporate CSR commitments. Over the course of the year approximately 20% of our facilities underwent environmental assessments conducted by a third party; Cogeco Connexion voluntarily purchased carbon offsets to cover the Greenhouse Gas Emissions from its business travel; and Cogeco Communications contributed approximately $2.9 million to sponsorships and donations. For a third year in a row, we saw our efforts recognized by Corporate Knights Magazine in its *The Future 40 Responsible Corporate Leaders in Canada* ranking, and by the *Jantzi Social Index*, which consists of 60 Canadian companies that passed a set of broadly based environmental, social and governance rating criteria.

For fiscal 2017, our focus will be to act and deliver on our CSR action plans and commitments, and to continue with the implementation of our main CSR initiatives such as the reduction of our Greenhouse Gas Emissions, the implementation of a Supplier Code of Conduct in the business units and the monitoring of our key performance indicators.

RADIO BROADCASTING

Cogeco Media enjoyed a very strong year, thanks to solid audience ratings backed by our commitment to providing listeners with compelling and relevant content, coupled with continued tight cost management. In January 2016, Cogeco Media (then Cogeco Diffusion Inc.) sold its out-of-home advertising subsidiary Métromédia CMR Plus Inc. in order to focus on its radio business. Throughout fiscal 2016, Numeris' surveys in the Montréal region reported that our talk radio station, 98.5 FM, has remained the leader in the Greater Montréal market, while Rythme FM maintained its leadership position among the Montréal French-language music stations. Our English radio station, *The Beat*, improved its performance in 2016 to become the top English-language music station with radio listeners of all ages. In our other Québec radio markets, both our talk and music format radio stations continue to either perform well or increase their audience in a highly competitive environment.

2017 OUTLOOK

For fiscal 2017, we will continue, in the Communications segment, to generate high operating margins in our Canadian and American broadband services segments, and we will pursue our initiatives to stabilize operating results in the Business ICT services segment. While we will continue to operate in a highly competitive environment, we look forward to increasing our revenue and adjusted EBITDA, lowering capital expenditures and delivering strong free cash flow growth. The Corporation will also continue to seek new growth opportunities in a prudent manner.

Cogeco Media expects to benefit financially from strong audience ratings, consolidating its leading position in Montréal and Québec City.

CONCLUDING REMARKS

We wish to thank all the members of our Board of Directors for their wise counsel and enduring support. In particular, we wish to thank Elisabetta Bigsby, who will not be seeking election, for her years of service as a director of the Corporation. We also wish to acknowledge the contribution of our more than 4,700 employees across two continents, who work tirelessly towards Cogeco's success on a daily basis, upholding our core values of commitment to customers, teamwork, innovation, respect and trust.

JAN PEETERS
Chairman of the Board

LOUIS AUDET
President and Chief Executive Officer

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

MD&A

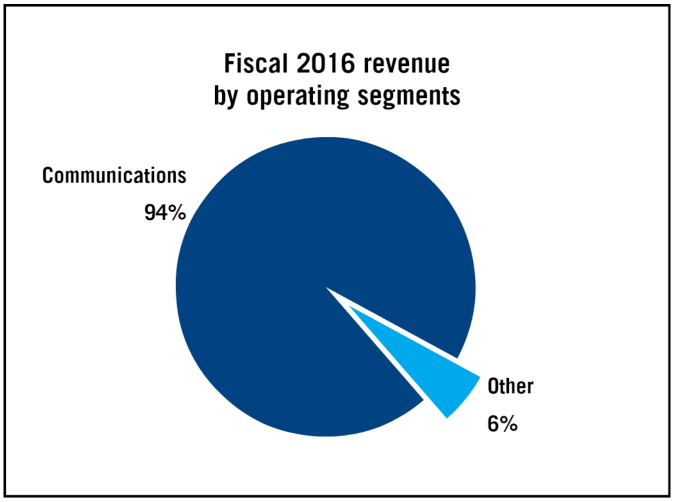
1. FORWARD-LOOKING STATEMENTS

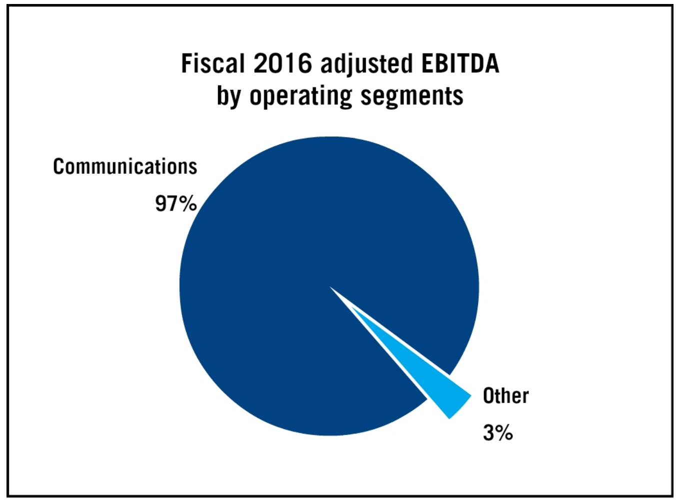
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Inc.'s ("Cogeco" or the "Corporation") future outlook and anticipated events, business, 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 2017 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, ownership risks, human-caused and natural threats to our network, infrastructure and systems and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the 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, 2016.

2. OVERVIEW OF THE BUSINESS

Cogeco is a diversified holding corporation which operates in the communications and media sectors. In fiscal 2016, 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, 2016, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[1] were as follows:





2.1 COMMUNICATIONS SEGMENT

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, Cogeco provides a wide range of video, Internet 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 in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1, Cogeco Communications provides colocation, network connectivity, hosting, cloud and a rich portfolio of managed services to small, medium and large businesses around the world, through 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

At August 31, 2016, the Communications segment provided video service to 982,955 customers, Internet service to 987,365 customers and telephony service to 537,430 customers for a total of 2,507,750 primary service units[2] ("PSU").

2.2 OTHER

Through its subsidiary, Cogeco Media Inc., Cogeco owns and operates 13 radio stations across most of Québec with complementary radio formats serving a wide range of audiences: *Rythme FM*, *CKOI FM*, *98.5 FM*, *92.5 The Beat* and *Radio Circulation 730 AM* in Montréal; *FM 93* and *102.9 FM* in Québec City; *104.7 FM* in Gatineau; *CIME FM* in Saint-Jérôme; *Rythme FM* and *107.7 FM* in Sherbrooke as well as *Rythme FM* and *106.9 FM* in Trois-Rivières. Cogeco Media also operates Cogeco News, its radio news agency, feeding more than 40 affiliated independent stations connected to the world.

2.3 COMMUNICATIONS SEGMENT NETWORKS AND INFRASTRUCTURE

BROADBAND OPERATIONS

Cogeco Connexion and Atlantic Broadband provide residential video, Internet, telephony services and business services through advanced fibre optic and two-way broadband distribution networks. Cogeco Connexion and Atlantic Broadband deliver these services through 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 extends over 39,000 kilometres while Atlantic Broadband's distribution network extends over 19,000 kilometres. The leading-edge inter-city optical transport networks extend over 10,000 kilometres in Canada and 850 kilometres in the United States. 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 to the world-wide Internet.

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

For residential services, Cogeco Connexion and Atlantic Broadband are deploying optical fibres to nodes serving clusters of typically 339 homes passed and 355 homes passed, respectively, 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 capacity of two-way services such as Internet, Video-on-Demand ("VOD") and telephony and maximizing 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.

In each market, the signals are transferred from the optical network to the coaxial cable network at the node for delivery to our customers. Cogeco Communications believes that active use of fibre optic technology in combination with coaxial cable plays a major role in expanding channel 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 Communications 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 cables is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

In order to increase distribution system capacity further, Cogeco Connexion undertook the following network enhancement programs:

(a) conversion of video services from analogue to digital. The deployment of Digital-To-Analog ("DTA") converters to its customers having older analogue equipment was completed in all its systems in fiscal 2016. This significant capacity enhancement replaces each analogue channel by up to four High Definition ("HD") channels or sixteen Standard Definition ("SD") channels; and

(b) conversion to Switched Digital Video ("SDV") technology. This technology allows Cogeco Connexion to selectively broadcast the channels that are currently being viewed by customers, effectively allowing it to offer a greater selection of digital channels over the same network infrastructure. The conversion is complete in Ontario and will be completed in Québec over the next fiscal year.

In order to recover bandwidth necessary for Internet growth as well as additional HD channels, Atlantic Broadband is continuing with a multi-point strategy to enhance the network and increase overall network performance:

(a) in markets where overall bandwidth is below 750 MHz, Atlantic Broadband has completed the conversion of video services from analogue to digital with the deployment of DTA converters to its customers having older analogue equipment;

(b) in 750 MHz markets where Atlantic Broadband has a larger customer base, it has begun the conversion to all digital, which it anticipates will be completed in 2016; and

(c) in 860 MHz and 1 GHz markets, Atlantic Broadband is using the available spectrum to add bonded data over cable service interface specifications ("DOCSIS") channels to increase speeds and to provide additional HD video channels.

Cogeco Connexion and Atlantic Broadband use 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. This technology provides a flexible and expandable platform to further increase IP transmission speeds beyond 250 Mbps and for providing other products such as symmetrical services, which are particularly well suited for commercial customer applications. Today, Cogeco Connexion and Atlantic Broadband offer top Internet speeds of 120 Mbps and in certain areas up to 250 Mbps using DOCSIS 3.0 technology and they are on track with the necessary infrastructure enhancements to increase speed up to 1 Gbps.

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 homes passed in Canada and in the United States where Digital Video, VOD, Internet and telephony services were available at August 31, 2016:

	% of homes passed where service is available	
Service	**Canada**	**United States**
Digital video	99%	99%
VOD	98%	86%
Internet (DOCSIS 3.0)	98%	97%
Telephony	97%	99%

BUSINESS INFORMATION AND COMMUNICATIONS TECHNOLOGY ("BUSINESS ICT") SERVICES OPERATIONS

At August 31, 2016, Cogeco Peer 1 provided its services through 17 data centres in Canada, the United States and Europe, covering approximately 487,000 gross square feet and more than 50 points of presence, including in Germany, the Netherlands and Mexico.

Cogeco Peer 1’s data centres include highly secure and redundant IT infrastructure, including 24/7/365 monitoring, regulated climate control, power redundancy, support, and biometric security access. In addition, Cogeco Peer 1’s data centres are designed, built, and operated to data centre industry standards in order to meet both service and compliance requirements of its enterprise customers.

2.4 BUSINESS DEVELOPMENTS AND OTHER

Numeris' summer 2016 survey in the Montréal region, conducted with the *Portable People Meter* (“PPM”), reported that in the Montréal French market *98.5 FM* is the leading radio station amongst all listeners two years old and over (“2+”), *Rythme FM* has maintained its leadership position amongst all listeners in the 25-54 segment and *CKOI* is well positioned in the same category. In the Montréal English market, *The Beat* is the leading music radio station at work among all listeners two years old and over ("2+"). Finally, most of our other regional radio stations in Québec registered good ratings.

On October 13, 2016, Cogeco Media announced the signing of a new agreement for the broadcasting of the Montreal Canadiens games on Cogeco's French radio network until 2023.

During the third quarter of fiscal 2016, the Corporation's subsidiary, Cogeco Communications, recognized a $450 million non-cash pre-tax impairment of goodwill an intangible assets in its Business ICT services segment resulting from changing industry dynamics and related valuations, and lower expectations for future revenue, profitability and cash flow growth.

On January 13, 2016 at the Annual Shareholders' Meeting, the shareholders approved a special resolution to change the name of the Corporation's subsidiary from Cogeco Cable Inc. to Cogeco Communications Inc, a name which better reflects the extent of its activities which have expanded beyond its initial cable television focus to the current broader activities which include video, Internet, telephony and information and communications technology services. The ticker symbol of Cogeco Communications remained CCA at the Toronto Stock Exchange.

As part of the process, Cogeco Communications now boasts one master brand for all its subsidiaries in Canada, the United States and Europe, with the exception of its Atlantic Broadband subsidiary. The Corporations' subsidiary Cogeco Cable Canada became Cogeco Connexion. Other changes included the renaming of the Corporation's subsidiary Cogeco Diffusion which became Cogeco Media and the Corporation's Cable and Enterprise data services segment which became the Communications segment.

On January 5, 2016, the Corporation's subsidiary, Cogeco Media, completed the sale of its subsidiary Métromédia CMR Plus Inc. ("Métromédia"), an out-of-home advertising company, to Bell Média Inc., for a final cash consideration of $47.7 million.

2.5 CORPORATE OBJECTIVES AND STRATEGIES

Cogeco's objectives are to provide outstanding service to its customers and create shareholder value by increasing profitability and ensuring continued revenue growth. The Corporation maximizes profitability and shareholder value by maintaining strict control over spending. In order to achieve this, Cogeco seeks to become more efficient with its processes.

The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA[(1)] and free cash flow[(1)].

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

COMMUNICATIONS SEGMENT

Cogeco Communications is dedicated to providing outstanding services to its customers and to increasing shareholder value and consequently focuses on optimizing profitability while efficiently managing capital utilization to secure future growth. To achieve these objectives, Cogeco Communications has developed the following strategies:

Canadian and American broadband services operations	Business ICT services operations
Expanding service offerings, enhancing existing services at attractive prices and seeking value-added acquisitions	Promoting the new branding supported by a people centric culture
Improving the networks with state-of-the-art advanced technologies	Growing our customer base through an enhanced go-to-market strategy with a strong focus on specific horizontal and vertical markets
Improving customer experience and business processes to build on customer loyalty and retention	Rationalizing and expanding our product suite to bring relevant solutions to market, supported by exceptional customer service
Maintaining sound capital management and strict control over spending	Strengthening internal processes and systems to improve operational efficiency and optimize infrastructure progress
	Optimizing the use of current assets in order to minimize operating expenses

Cogeco Communications measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA, operating margin, free cash flow and capital intensity. For further details please refer to the 2016 Annual Report of Cogeco Communications Inc. available on www.sedar.com or on the Corporation's website at corpo.cogeco.com.

MEDIA ACTIVITIES

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

(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.

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 following criteria which are described in greater detail on "Fiscal 2017 financial guidelines" section. Please refer to the "Key performance indicators and performance highlights" section for further details on the fiscal 2016 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].

(in millions of dollars, except percentages)	Projections October 28, 2015 (1) Fiscal 2016 $	**Actual (1) Fiscal 2016 $**	Achievement of the projections Fiscal 2016
Financial guidelines			
Revenue	2,360 to 2,390	**2,307**	Under-achieved
Adjusted EBITDA	1,025 to 1,055	**1,019**	Under-achieved
Integration, restructuring and acquisition costs(2)	3 to 5	**9**	Under-achieved
Financial expense	145 to 155	**142**	Surpassed
Current income taxes	110 to 120	**101**	Surpassed
Profit (loss) for the year	285 to 310	**(159)**	Under-achieved
Profit (loss) for the year attributable to owners of the Corporation	90 to 110	**(29)**	Under-achieved
Acquisitions of property, plant and equipment, intangible and other assets	455 to 470	**470**	Achieved
Free cash flow	325 to 355	**298**	Under-achieved

(1) Fiscal 2016 projections were based on an USD/CDN exchange rate of 1.30 and a GBP/CDN exchange rate of 2.00 compared to exchange rates for fiscal 2016 of 1.33 and 1.91, respectively.

For fiscal 2016, Cogeco under-achieved its key performance indicators compared to its projections issued on October 28, 2015. 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 2016 revenue amounted to $2.31 billion, under-achieving the Corporation's projections mainly as a result of lower than expected revenue from the Business ICT services and Canadian broadband services operations in the Communications segment, combined with the sale of Métromédia on January 5, 2016, partly offset by higher US dollar exchange rates for our foreign operations compared to the projections.

ADJUSTED EBITDA

Fiscal 2016 adjusted EBITDA amounted to $1.02 billion, under-achieving the Corporation's projections mostly as a result of a lower than expected adjusted EBITDA from the Business ICT services operations in the Communications segment, partly offset by higher than expected adjusted EBITDA in the media activities despite the sale of Métromédia combined with higher US dollar exchange rate compared to the projections.

FREE CASH FLOW

Fiscal 2016 free cash flow amounted to $298 million, under-achieving the Corporation's projections mostly as a result of lower than expected consolidated adjusted EBITDA combined with the settlement of claims and costs related to litigations recognized in the Communications segment.

(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.

2.7 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31, *(in thousands of dollars, except per share data)*	**2016** **$**	2015 $	2014 $
Revenue	**2,307,403**	2,187,163	2,096,038
Adjusted EBITDA	**1,018,762**	954,591	908,262
Integration, restructuring and acquisition costs	**8,802**	13,950	4,736
Claims and litigations	**10,791**	(27,431)	—
Impairment of goodwill and intangible assets	**450,000**	—	—
Impairment of property, plant and equipment	**—**	—	35,493
Gain on disposal of a subsidiary	**(13,107)**	—	—
Profit (loss) for the year	**(158,705)**	265,215	210,170
Profit (loss) for the year attributable to owners of the Corporation	**(29,351)**	89,627	67,680
Cash flow from operating activities	**759,030**	694,300	764,770
Acquisitions of property, plant and equipment, intangible and other assets	**470,357**	442,675	420,179
Free cash flow	**298,072**	290,724	273,730
Total assets	**5,499,613**	6,205,795	5,367,730
Indebtedness	**2,974,119**	3,361,948	2,848,040
Equity attributable to owners of the Corporation	**548,129**	603,598	513,965
Per Share Data(1)			
Earnings (loss) per share attributable to owners of the Corporation			
Basic	**(1.75)**	5.35	4.05
Diluted	**(1.75)**	5.32	4.02
Dividends	**1.18**	1.02	0.88

(1) Per multiple and subordinate voting share.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years August 31, *(in thousands of dollars, except percentages)*	**2016** **$**	2015 $	Change %
Revenue	**2,307,403**	2,187,163	5.5
Operating expenses	**1,288,641**	1,232,572	4.5
Adjusted EBITDA	**1,018,762**	954,591	6.7

REVENUE

Fiscal 2016 revenue reached $2.31 billion, an increase of $120.2 million, or 5.5%, compared to fiscal 2015. The increase is mainly attributable to the Communications segment, partly offset by lower revenue in the media activities attributable to the sale of Métromédia on January 5, 2016.

In the Communications segment, fiscal 2016 revenue amounted to $2.18 billion, an increase of $132.8 million, or 6.5%, compared to the prior year driven by growth of 29.7% in the American broadband services operations and stable revenue in the Canadian broadband services operations, partly offset by a decrease of 3.9% in the Business ICT services operations. Revenue increased mainly due to the acquisition of the Connecticut system and organic growth in the American broadband services operations combined with the favorable foreign exchange rates for our foreign operations compared to fiscal 2015, partly offset by lower revenue in the Business ICT services operations resulting from competitive pricing pressures on the hosting and network connectivity services as well as a transition out of unprofitable services. For further details on revenue, please refer to the “Communications segment” section.

OPERATING EXPENSES

Fiscal 2016 operating expenses amounted to $1.29 billion, an increase of $56.1 million, or 4.5%, compared to the prior year. The increase in operating expenses is mainly attributable to the Communications segment operating results, partly offset by the sale of Métromédia in the media activities.

In the Communications segment, fiscal 2016 operating expenses amounted to $1.17 billion, an increase of $71.3 million, or 6.5%, compared to the prior year. Operating expenses increased for the American broadband services operations and have declined for the Canadian broadband services and Business ICT services operations. The appreciation of the US dollar and British Pound compared to the Canadian dollar have also contributed to the increase. For further details on operating expenses, please refer to the "Communications segment" section.

ADJUSTED EBITDA

Fiscal 2016 adjusted EBITDA increased by $64.2 million, or 6.7%, to reach $1.02 billion as a result of the improvements in the Communications segment as well as in the media activities, despite the sale of Métromédia on January 5, 2016.

In the Communications segment, fiscal 2016 adjusted EBITDA increased by $53.0 million, or 5.7%, to reach $983.4 million mainly as a result of the improvement in the American and Canadian broadband services operations combined with favorable foreign exchange rates compared to the prior year, partly offset by a lower adjusted EBITDA in the Business ICT services operations and higher management fees paid to Cogeco Inc. under the Amended and Restated Management Services Agreement. For further details on adjusted EBITDA, please refer to the "Communications segment" section.

3.2 FIXED CHARGES

Years ended August 31,	**2016**	2015	Change
(in thousands of dollars, except percentages)	**$**	$	%
Depreciation and amortization	**502,170**	472,615	6.3
Financial expense	**142,482**	148,892	(4.3)

Fiscal 2016 depreciation and amortization expense reached $502.2 million compared to $472.6 million for the prior year. The increase resulted mainly from the impact of the acquisition of the Connecticut system, additional acquisitions of property, plant and equipment and the appreciation of the US dollar and British Pound compared to the Canadian dollar.

Fiscal 2016 financial expense decreased by $6.4 million or 4.3%, to reach $142.5 million compared to $148.9 million compared to the prior year. The decrease is mainly due to the repayments in October 2015 of the US$190 million Senior Secured Notes Series A and in January 2016 of the Corporation's Revolving loan, partly offset by the appreciation of the US dollar and British Pound compared to the Canadian dollar and the cost of financing related to the acquisition of the Connecticut system.

3.3 IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Cogeco Communications recognized a non-cash pre-tax impairment loss of $450 million during the third quarter of fiscal 2016 resulting from changing industry dynamics and related valuations, and lower expectations for future revenue, profitability and cash flow growth.

As part of a process initiated in fiscal 2015, Cogeco Communications performed a thorough review of its Business ICT services segment operations, organizational structure and portfolio of products and services. The review resulted in several initiatives primarily focused on profitable sales generation, the streamlining of the product offering, the simplification of operational processes and the announcement, on May 5, 2015, of the combination of its two business units Cogeco Data Services and Peer 1 Hosting to form Cogeco Peer 1. The teams formerly managing both companies have since then been combined and several executive positions have either been replaced or filled during the ensuing period, with the remaining executive positions filled during the third quarter of fiscal 2016. Cogeco Peer 1 now has the structure and capacity in place to serve its various customers across its cloud and hosting, colocation and network connectivity services.

Despite continuous efforts to align Cogeco Peer 1's sales structure on its streamlined product offering, the sales performance has not achieved expected growth. Sales of hosting services, which are Cogeco Peer 1's main product sold in the United States and Europe, have been substantially lower than expected due to a combination of an accelerated transition out of unprofitable services, slower than planned ramp-up of the sales team, and increased competition in the market from large cloud-based offerings, which now compete with most traditional hosting providers. In addition, the fair market value and trading multiples for hosting businesses have decreased significantly over the last year due to the entry in the market of these cloud-based offerings. Cogeco Peer 1 is continuing to adapt to the significant capacity and price pressure originating from cloud providers, by continuing to focus on mid-sized customers which require value-added services. Cogeco Peer 1's customer data is primarily hosted on its own infrastructure and to a lower extent on external cloud providers under reseller agreements.

In Canada, the sales of colocation services, which typically cater to larger customers, have also been slower than planned but management is confident to profitably fill its capacity, including the recently built Barrie and Kirkland colocation facilities. As for connectivity services, ongoing pricing pressures are typically offset by volume growth. Additional net growth in network connectivity is expected to result from growing the number of customers per connected building and from maximizing sales on the existing network.

Although management is confident that it now has in place the management team and the operating structure to succeed, the current situation is expected to persist past fiscal 2016. Consequently, management has reviewed downwards its future financial projections, resulting in a decrease in the value of Cogeco Communications' investment in Cogeco Peer 1. As a result, Cogeco Communications tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment at May 31, 2016.

In accordance with the accounting standards, goodwill and intangible assets with indefinite useful lives were tested for impairment at the cash-generating unit ("CGU") level, which is the Business ICT services segment. The recoverable amount of the CGU was calculated based on the higher of value in use and fair value less cost to sell. The value in use was determined using cash flow projections derived from internal financial projections covering a five-year period. 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 the five-year period have been extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGU participates 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 Cogeco Communications' pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGU.

Based on lower expectations for future revenue, profitability and cash flow growth, Cogeco Communications recorded a non-cash impairment loss of $428.5 million on goodwill during the third quarter of fiscal 2016.

Long-lived assets, such as property, plant and equipment and intangible assets with finite useful lives were tested for impairment by comparing the carrying value of the asset or group of assets to the corresponding recoverable amount of the asset or group of assets, in order to determine the extent of the impairment loss, if any. Accordingly, Cogeco Communications completed its impairment testing on the long-lived assets and concluded that the carrying value of the customer relationships exceeded their recoverable amount, calculated as the discounted future cash flows expected to be generated from the asset. As a result, a non-cash impairment loss of $21.5 million was recognized during the third quarter of fiscal 2016 regarding the customer relationships.

As a result, the total impairment losses affected Cogeco Communications' financial results as follows for the year ended August 31, 2016:

(in thousands of Canadian dollars)	**$**
Impairment of goodwill (1)	**428,500**
Impairment of intangible assets (2)	**21,500**
Impairment of goodwill and intangible assets	**450,000**
Income taxes	**(16,048)**
Impairment of goodwill and intangible assets net of income taxes	**433,952**

(1) Impairment of goodwill by geographic market includes $111.8 million in Canada, $278.9 million in the United States and $37.8 million in Europe.

(2) Intangible assets were impaired only in the United States.

3.4 CLAIMS AND LITIGATIONS

During fiscal 2016, Cogeco Communications' subsidiary, Cogeco Peer 1, recognized an amount of $10.8 million related to the settlement of claims and costs related to litigations, some of which are currently unresolved.

On August 20, 2015, Cogeco Communications' subsidiary, Cogeco Connexion, concluded an agreement with a supplier to settle a claim that was initiated in a previous year. The settlement amounted to $27.4 million, which was paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

3.5 GAIN ON DISPOSAL OF A SUBSIDIARY

On January 5, 2016, the Corporation's subsidiary, Cogeco Media Inc., completed the sale of its subsidiary, Métromédia, an out-of-home advertising company, for a cash consideration of $47.5 million, which was subject to a post-closing net working capital adjustment and resulting in a gain on disposal of $13.1 million. For further details on the gain on disposal of a subsidiary, please refer to the "Cash flow analysis" section.

3.6 INCOME TAXES

Fiscal 2016 income taxes decreased by $5.0 million, or 6.2%, to reach $76.3 million compared to $81.4 million for the prior year. The decrease is mostly attributable to the the impact of the impairment of goodwill and intangible assets combined with the favorable impact of the effective tax rates related to the Connecticut system acquisition, partly offset by the revaluation of deferred tax assets, the impact of a higher proportion on the consolidated operating results represented by Atlantic Broadband's profit which is taxed at a higher rate and the improvement of adjusted EBITDA.

The Corporation did not recognize income taxes on the taxable gain on disposal of a subsidiary as a result of the utilization of previously unrecognized capital tax losses.

In addition, on July 8, 2015, the United Kingdom government announced corporate tax rate reductions from 20% to 19% on April 1, 2017 and to 18% on April 1, 2020. These rate reductions were substantially enacted on October 26, 2015 and have reduced the deferred tax asset and increased the deferred income taxes by approximately $1.2 million during fiscal 2016.

3.7 PROFIT (LOSS) FOR THE YEAR

Fiscal 2016 loss for the year amounted to $158.7 million of which $29.4 million, or $1.75 per share, was attributable to owners of the Corporation, compared to a profit for the year of $265.2 million of which $89.6 million, or $5.35 per share, was attributable to owners of the Corporation for the prior year mainly as a result of the non-cash pre-tax impairment of goodwill and intangible assets of $450.0 million which occurred in the Communications segment. The remaining variation is explained by the improvement of adjusted EBITDA combined with the decreases in integration, restructuring and acquisition costs, financial expense and income taxes combined with the gain on disposal of Métromédia, partly offset by increases in depreciation and amortization and claims and litigations as a result of an expense in the current year compared to a gain in the prior year.

The non-controlling interest represents a participation of approximately 68.2% in Cogeco Communications' results. The loss for the year attributable to non-controlling interest amounted to $129.4 million for fiscal 2016 compared to profit for the year of $175.6 million for the prior year.

The Corporation obtained a negative return on equity[1] of 5.1% for the year ended August 31, 2016 compared to a positive return on equity of 16.0% for the prior year. The variation for fiscal 2016 is mainly due to the impairment of goodwill and intangible assets.

4. RELATED PARTY TRANSACTIONS

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

On July 14, 2015, the Management Services Agreement pursuant to which Cogeco provides executive, administrative, financial and strategic planning services and other services (the "Management Services") to Cogeco Communications was amended and restated (the "Amended and Restated Management Services Agreement") to better align the management fees with the time, services and efforts of Cogeco's management being supplied to Cogeco Communications. Since September 1, 2015, the management fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Communications, with no maximum level or inflation-based adjustment. Under the Amended and Restated Management Service Agreement, provision is made for future adjustment upon the request of either Cogeco Communications or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. Cogeco previously provided the Management Services for an annual fee equal to 2% of Cogeco Communications' gross revenue, subject to an inflation-adjusted maximum annual fee. In addition, Cogeco Communications reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, during fiscal 2016, Cogeco Communications granted 74,750 (61,300 in 2015) stock options to these executive officers as executive officers of Cogeco Communications. During fiscal 2016, Cogeco Communications charged Cogeco $616,000 ($502,000 in 2015) with regard to Cogeco Communications' stock options granted to these executive officers.

No Incentive Share Units ("ISUs") of Cogeco Communications were granted to executive officers of Cogeco during fiscal years 2016 and 2015. During fiscal 2016, Cogeco Communications charged Cogeco $330,000 ($303,000 in 2015) with regard to the ISUs previously granted by Cogeco Communications to executive officers of Cogeco as executive officers of Cogeco Communications.

During fiscal 2016, Cogeco Communications granted 11,950 (11,050 in 2015) Performance Share Units ("PSUs") to executive officers of Cogeco as executive officers of Cogeco Communications and charged Cogeco $501,000 ($188,000 in 2015) with regard to Cogeco Communications' PSUs granted to these executive officers.

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and its subsidiary, Cogeco Communications, by which a revolving credit facility was established in favour of Cogeco Communications. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to Cogeco Communications as of the signing date and remains outstanding as of August 31, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to Cogeco Communications' US dollar revolving loan under the Canadian Revolving Facility while taking into consideration the effect of the cross-currency swap agreement.

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

(1) Return on equity is defined as profit (loss) for the year divided by average shareholders' equity (computed on the basis of the beginning and ending balance for a given fiscal year).

5. CASH FLOW ANALYSIS

Years ended August 31,	2016	2015
(in thousands of dollars)	**$**	$
Cash flow from operating activities	**759,030**	694,300
Cash flow from investing activities	**(420,126)**	(705,122)
Cash flow from financing activities	**(434,675)**	105,841
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(74)**	5,339
Net change in cash and cash equivalents	**(95,845)**	100,358
Cash and cash equivalents, beginning of the year	**164,189**	63,831
Cash and cash equivalents, end of the year	**68,344**	164,189

5.1 OPERATING ACTIVITIES

Fiscal 2016 cash flow from operating activities reached $759.0 million, an increase of $64.7 million, or 9.3%, compared to $694.3 million for fiscal 2015 mainly as a result of the following:

- the improvement of $64.2 million in adjusted EBITDA; and
- the increase of $87.9 million in change in non-cash operating activities primarily due to changes in working capital; partly offset by
- the increase of $52.4 million in income taxes paid; and
- the increase of $38.2 million in claims and litigations as a result of an expense in the current year compared to a gain in the prior year.

5.2 INVESTING ACTIVITIES

Fiscal 2016 investing activities decreased by $285.0 million, or 40.4%, to reach $420.1 million compared to $705.1 million. The decrease results from the acquisition of the Connecticut system amounting to $263.2 million in the fourth quarter of fiscal 2015 combined with the disposal of a subsidiary for $47.4 million net of cash and cash equivalents disposed in fiscal 2016, partly additional acquisitions of property, plant and equipment, intangible and other assets.

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

Fiscal 2016 acquisitions of property, plant and equipment amounted to $447.2 million, representing an increase of $20.8 million compared to $426.4 million for fiscal 2015, mainly due to the following factors in the Communication segment:

In the Canadian broadband services operations

- a decrease that resulted mainly from a greater level of CPE acquisitions in fiscal 2015 due to the launch of TiVo digital advanced services and the acquisitions of scalable infrastructure to improve our network in some of the areas we serve; partly offset by
- additional support capital expenditures for the implementation of a new Customer Relations Management system.

In the American broadband services operations

- additional support capital and CPE expenditures both as a result of the launch of TiVo digital advanced services in eastern Connecticut in January 2016 as well as the customers' ongoing interest for this service;
- acquisitions of scalable infrastructure combined with additional upgrade and rebuild expenditures to improve our network in some of the areas we serve;
- PSU growth;
- the acquisition of the Connecticut system in the fourth quarter of fiscal 2015; and
- higher foreign exchange rates compared to the same period of the prior year

In the Business ICT services operations

- the completion in fiscal 2015 of the remaining pods at the Barrie, Ontario data centre and pod 1 at the Kirkland, Québec data centre; partly offset by
- the initial construction of pod 2 at the Kirkland, Québec data centre facility related to the obtention of a large colocation contract; and
- the appreciation of the US dollar and the British Pound over the Canadian dollar compared to the prior year.

Acquisitions of intangible and other assets amounted to $23.2 million compared to $16.3 million for fiscal 2015.

DISPOSAL OF A SUBSIDIARY

On January 5, 2016, the Corporation's subsidiary, Cogeco Media, completed the sale of its subsidiary Métromédia, an out-of-home advertising company, for a cash consideration of $47.5 million, which was subject to a post-closing net working capital adjustment. The post-closing net working capital adjustment was concluded during the year and amounted to $0.2 million, bringing the final cash consideration to $47.7 million. The selling price has been reduced by selling fees of approximately $0.5 million. The carrying value of the net assets disposed was $34.1 million resulting in a pre-tax gain of $13.1 million recorded in the consolidated statements of profit or loss.

The carrying value of assets and liabilities disposed were as follows:

(In thousands of Canadian dollars)	**$**
Cash and cash equivalents	**272**
Trade and other receivables	**6,113**
Prepaid expenses and other	**331**
Other assets	**930**
Property, plant and equipment	**4,153**
Intangible assets	**9,735**
Goodwill	**20,540**
Trade and other payables	**(3,862)**
Income tax liabilities	**(29)**
Deferred and prepaid revenue	**(1,524)**
Other liabilities	**(100)**
Deferred tax liabilities	**(2,416)**
	34,143

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications, completed the acquisition of substantially all of the net assets of the Connecticut system, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, excluding post-closing net working capital adjustment of US$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first quarter of fiscal 2016, Cogeco Communications finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary	**Final**
	August 31, 2015	**November 30, 2015**
(in thousands of Canadian dollars)	$	$
Consideration paid		
Purchase price	261,600	**261,600**
Working capital adjustments	1,640	**1,640**
	263,240	**263,240**
Net assets acquired		
Trade and other receivables	616	**616**
Prepaid expenses and other	1,696	**1,696**
Property, plant and equipment	51,368	**51,368**
Intangible assets	108,564	**115,104**
Goodwill	101,685	**95,145**
Trade and other payables assumed	(689)	**(689)**
	263,240	**263,240**

5.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2016 free cash flow amounted to $298.1 million, an increase of $7.3 million, or 2.5%, compared to $290.7 million for the prior year mainly as a result of the following:

- the improvement of $64.2 million in adjusted EBITDA;
- the decrease of $6.4 million in financial expense; partly offset by
- the increase of $27.7 million in acquisitions of property, plant and equipment, intangible and other assets;
- the increase of $38.2 million in claims and litigations as a result of an expense in the current year compared to a gain in the prior year; and
- the increase of $3.8 million in current income taxes.

FINANCING ACTIVITIES

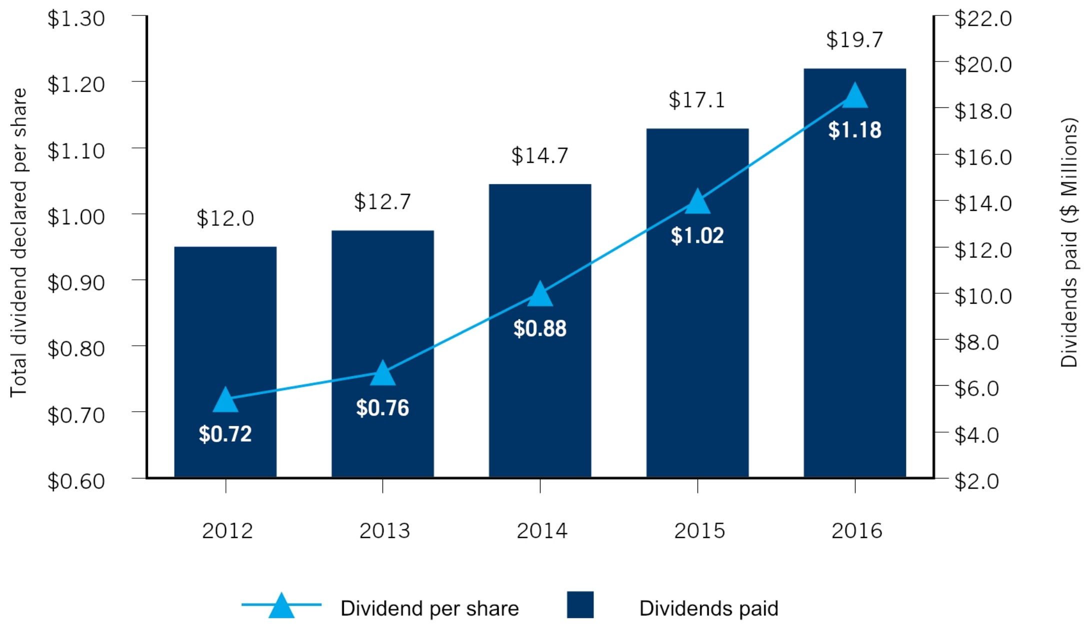
For fiscal 2016, a lower Indebtedness level resulting from debt repayments led to a cash decrease of $359.3 million compared to a higher Indebtedness for fiscal 2015 that resulted in a cash increase of $174.8 million. The variation is explained as follows:

Years ended August 31,	**2016**	2015	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Increase in bank indebtedness	**4,115**	(3,228)	7,343	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(122,725)**	85,071	(207,796)	Repayments of the revolving facilities in fiscal 2016. Increase under the revolving facilities of $85.1 million in fiscal 2015 mainly as a result of a draw-down of $117.7 million (US$90 million) to finance a portion of the acquisition of the Connecticut system.
Issuance of long-term debt, net of discounts and transaction costs	**—**	128,634	(128,634)	Issuance on August 20, 2015, in the Communications segment, of an incremental Term Loan A-2 Facility of $130.8 million (US$100 million) in connection with the acquisition of the Connecticut system, for net proceeds of $128.6 million, net of transaction costs of $2.2 million (US $1.7 million)
Repayment of long-term debt and settlement of derivative financial instruments	**(240,657)**	(35,711)	(204,946)	Repayment in fiscal 2016 of long-term debt and the settlement of derivative financial instruments of $240.7 million mainly related to the US$190 million Senior Secured Notes Series A maturing in October 2015. Repayments in fiscal 2015 of $35.7 million of Term Loan A and B Facilities.
	(359,267)	174,766	(534,033)	

DIVIDENDS

During fiscal 2016, quarterly eligible dividends of $0.295 per share, totaling $1.18 per share, were paid to the holders of subordinate and multiple voting shares, for a total of $19.7 million. In fiscal 2015, quarterly eligible dividends of $0.255 per share, totaling $1.02 per share were paid to the holders of subordinate and multiple voting shares, for a total of $17.1 million. In addition, dividends paid by a subsidiary to non-controlling interests during fiscal 2016 amounted to $52.0 million compared to $46.5 million for the prior year. During the last five years, total dividends per share increased by 13.2% on a compounded annual basis.

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



6. FINANCIAL POSITION

6.1 WORKING CAPITAL

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

The variations are as follows:

At August 31,	**2016**	2015	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Current assets				
Cash and cash equivalents	**68,344**	164,189	(95,845)	Repayment of the US$190 million Senior Secured Notes Series A in October 2015, partly offset by the net proceeds from the sale of Métromédia in January 2016 and excess cash flow generated from operations.
Trade and other receivables	**142,542**	149,355	(6,813)	Receipt of amount from the claims and litigations receivables and the sale of Métromédia, partly offset by revenue growth.
Income taxes receivable	**12,707**	10,753	1,954	Non significant.
Prepaid expenses and other	**17,125**	18,016	(891)	Non significant.
Derivative financial instruments	**1,040**	49,834	(48,794)	Settlement of the cross-currency swaps related to the US$190 million Senior Secured Notes Series A.
	241,758	392,147	(150,389)	
Current liabilities				
Bank indebtedness	**4,115**	—	4,115	Timing of payments made to suppliers.
Trade and other payables	**312,914**	313,631	(717)	Non significant.
Provisions	**31,078**	24,445	6,633	Mostly related to the claims and litigations.
Income tax liabilities	**28,910**	54,826	(25,916)	Payments of income taxes.
Deferred and prepaid revenue	**61,707**	63,499	(1,792)	Non significant.
Current portion of long-term debt	**22,527**	297,657	(275,130)	Mostly related to the repayment of the US$190 million Senior Secured Notes Series A in October 2015.
	461,251	754,058	(292,807)	
Working capital deficiency	**(219,493)**	(361,911)	142,418	

6.2 OTHER SIGNIFICANT CHANGES

At August 31,	**2016**	2015	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Non-current assets				
Intangible assets	**2,139,466**	2,221,577	(82,111)	Impairment in the Business ICT operations combined with the sale of Métromédia and the amortization expense exceeding the acquisition of intangible assets.
Goodwill	**1,079,365**	1,536,925	(457,560)	Mostly related to the impairment in the Business ICT operations combined with the sale of Métromédia.
Non-current liabilities				
Long-term debt	**2,922,078**	3,081,092	(159,014)	Repayments on the Corporation's Term Revolving Facilities and the First Lien Credit Facilities.
Deferred tax liabilities	**500,818**	528,211	(27,393)	Mostly related to the impairment of goodwill and intangible assets in the Business ICT services operations.

7. CAPITAL RESOURCES AND LIQUIDITY

7.1 CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2017 guidelines:

Years ended August 31,	2017 Guidelines (1)	**2016**	2015
Average cost of indebtedness(2)	4.4%	**4.2%**	4.2%
Fixed rate indebtedness(3)	78%	**73%**	65%
Average term: long-term debt (in years)	4.0	**4.9**	5.2
Net secured indebtedness(4) / Adjusted EBITDA	1.9	**2.2**	2.6
Net indebtedness(5) / Adjusted EBITDA	2.6	**2.9**	3.3
Adjusted EBITDA / financial expense	N/A (6)	**7.2**	6.4

(1) Based on mid-range guidelines.

(2) Excludes amortization of financing fees and commitment fees but includes impact of interest rate swaps.

(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, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture, Senior Unsecured Notes and Unsecured Notes.

(5) Net indebtedness is defined as the aggregate of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

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

In fiscal 2017, assuming no further acquisitions are made, the financial leverage ratios relating to net indebtedness and net secured indebtedness over adjusted EBITDA should decline mainly due to a projected reduction in Indebtedness from generated free cash flow. The percentage of fixed rated indebtedness is expected to increase by August 31, 2017, as a portion of variable rated indebtedness under the revolving facilities and Atlantic Broadband's Term A-2, A-3 and B loans should be repaid with generated free cash flow.

COMMUNICATIONS SEGMENT

The table below summarizes debt-related financial ratios over the last two fiscal years and the fiscal 2017 guidelines:

Years ended August 31,	2017 Guidelines (1)	**2016**	2015
Average cost of indebtedness(2)	4.3%	**4.1%**	4.1%
Fixed rate indebtedness(3)	78%	**73%**	64%
Average term: long-term debt (in years)	4.0	**4.8**	5.2
Net secured indebtedness(4) / adjusted EBITDA	2.0	**2.3**	2.7
Net indebtedness(5) / adjusted EBITDA	2.6	**2.9**	3.3
Adjusted EBITDA / financial expense	N/A (6)	**7.2**	6.5

(1) Based on mid-range guidelines

(2) Excludes amortization of financing fees and commitment fees but includes impact of interest rate swaps.

(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, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

(5) Net indebtedness is defined as the aggregate of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

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

7.2 OUTSTANDING SHARE DATA

A description of Cogeco's share data at September 30, 2016 is presented in the table below. Additional details are provided in Note 18 of the consolidated financial statements.

(in thousands of dollars, except number of shares)	Number of shares	Amount $
Common shares		
Multiple voting shares	1,842,860	12
Subordinate voting shares	14,969,572	121,815

7.3 FINANCING

On May 31, 2016, two of Cogeco Communications' US subsidiaries amended their First Lien Credit Facilities. Under the amendments, the Term A Facility was converted into a Term A-3 Facility which resulted in the extension of the maturity from November 30, 2017 to September 2, 2019 and the harmonization of the quarterly fixed amortization schedule with the Term Loan A-2 Facility. The Revolving Facility was also extended from November 30, 2017 to September 2, 2019. No other changes were made to the terms and conditions of the First Lien Credit Facilities.

On December 8, 2015, the Corporation's subsidiary, Cogeco Communications Inc., amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, will mature on January 22, 2021.

On October 27, 2015, the Corporation amended its Term Revolving Facility. Under the term of the amendment, the maturity was extended by an additional year and consequently, will mature on February 1, 2021.

On October 14, 2015, a US subsidiary of Cogeco Communications entered into two interest rate swap agreements to fix interest rates on a notional amount of US$150 million (US$75 million each agreement) of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at a fixed rate of 0.6120% and 0.9870%, under Term Loan A and Term Loan A-2 Facilities until October 30, 2017 and July 31, 2019, respectively. Pursuant to the May 31,2016 conversion of Term Loan A into Term Loan A-3, the designation of the US$75 million notional amount of the Term Loan A Facility has consequently been replaced by the Term Loan A-3 Facility.

On August 31, 2016, an amount of $127.6 million was used from the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility of $850 million, for a remaining availability of $722.4 million. In addition, two subsidiaries of Cogeco Communications also benefit from a Revolving Facility of $196.7 million (US$150 million), of which $101.6 million (US$77.5 million) was used at August 31, 2016 for a remaining availability of $95.1 million (US$72.5 million).

7.4 COGECO COMMUNICATIONS CREDIT RATINGS

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 rating. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/Ba" rating category. In addition, obligations with BBB ratings generally have greater access to funding than those with "BB/Ba" ratings.

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

At August 31, 2016	**Moody's**	**DBRS**	**Fitch**	**S&P**
Cogeco Communications				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
First Liens Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

7.5 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks for both fixed and floating interest rate instruments. Interest rates fluctuations will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2016, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities.

To mitigate such risk, the Corporation's subsidiary, Cogeco Communications entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A-3 Facility
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to these facilities is approximately $6.9 million based on the outstanding debt at August 31, 2016.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. In order to mitigate this risk, the Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Communications, entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A. During the first quarter of fiscal 2016 the Corporation's subsidiary settled these cross-currency swaps with a notional amount of US$190 million, following the repayment of its Senior Secured Notes Series A at maturity on October 1st 2015.

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds.The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximatively $7.4 million based on the outstanding debt at August 31, 2016.

Furthermore, Cogeco Communications' net investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk is mitigated since the major part of the purchase prices for Atlantic Broadband and Peer 1 Hosting were borrowed directly in US dollars and British Pounds.

The following table shows the investments in foreign operations outstanding at August 31, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$883.7 million	Net investments in foreign operations in US dollar
Net investment	£23.6 million	£31.4 million	Net investments in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at August 31, 2016 was $1.3116 per US dollar and $1.7223 per British Pound. The impact of a 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $13.6 million.

For the year ended August 31, 2016, the average rates prevailing used to convert the operating results of the Communications segment were as follows:

Years ended August 31,	**2016**	2015	Change
	$	$	%
US dollar vs Canadian dollar	**1.3273**	1.2101	9.7
British Pound vs Canadian dollar	**1.9146**	1.8771	2.0

The following highlights in Canadian dollars, the impact of a 10% increase in US dollar or British Pound against the Canadian dollar on the Communications segment's operating results for the year ended August 31, 2016:

	Communications segment	
	As reported	Exchange rate impact
(in thousands of dollars)	**$**	**$**
Revenue	**2,176,149**	**77,872**
Operating expenses	**1,174,232**	**47,930**
Management fees - Cogeco Inc.	**18,468**	**—**
Adjusted EBITDA	**983,449**	**29,942**
Acquisitions of property, plant and equipment, intangible and other assets	**467,510**	**21,972**
Free cash flow	**280,998**	**187**

7.6 COMMITMENTS AND GUARANTEES

Cogeco's contractual obligations at August 31, 2016 are shown in the table below:

Years ended August 31,	2016	2017	2018	2019	2020	Thereafter	Total
(in thousands of dollars)	$	$	$	$	$	$	$
Long-term debt(1)	**22,527**	**133,414**	**95,634**	**1,345,476**	**326,265**	**1,046,523**	**2,969,839**
Derivatives financial instruments	**(1,040)**	**—**	**—**	**—**	**—**	**—**	**(1,040)**
Operating lease agreements(2)	**36,567**	**35,249**	**31,715**	**30,237**	**28,778**	**53,799**	**216,345**
Other long-term contracts(3)	**43,712**	**28,305**	**13,908**	**10,216**	**6,453**	**24,487**	**127,081**
Acquisition of property, plant and equipment and intangible assets(4)	**19,254**	**—**	**17,775**	**—**	**—**	**—**	**37,029**
Pension plan liabilities and accrued employees benefits (5)	**—**	**—**	**—**	**—**	**—**	**16,912**	**16,912**
Total contractual obligations(6)	**121,020**	**196,968**	**159,032**	**1,385,929**	**361,496**	**1,141,721**	**3,366,166**

(1) Includes principal.

(2) Include significant operating lease agreements for rented premises and support structures.

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

(4) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.

(5) The nature of these obligations prevents the Corporation from estimating an annual breakdown.

(6) Annual breakdown excludes pension plan liabilities and accrued employees benefits.

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, 2016 and 2015, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 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 indemnification 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 and Senior Unsecured 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

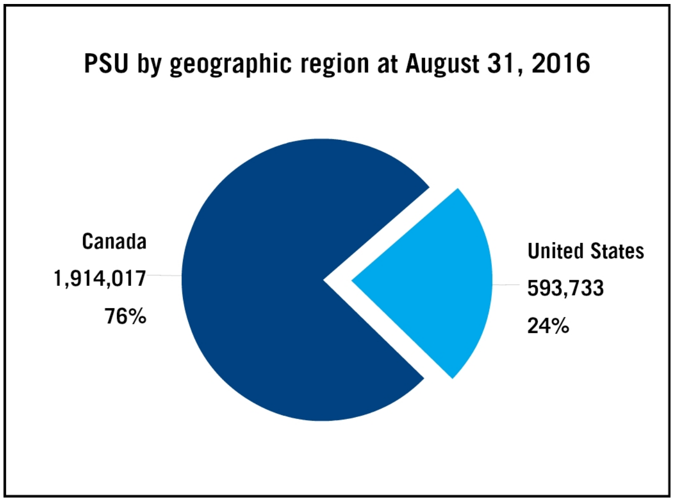
As part of transactions involving sales of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

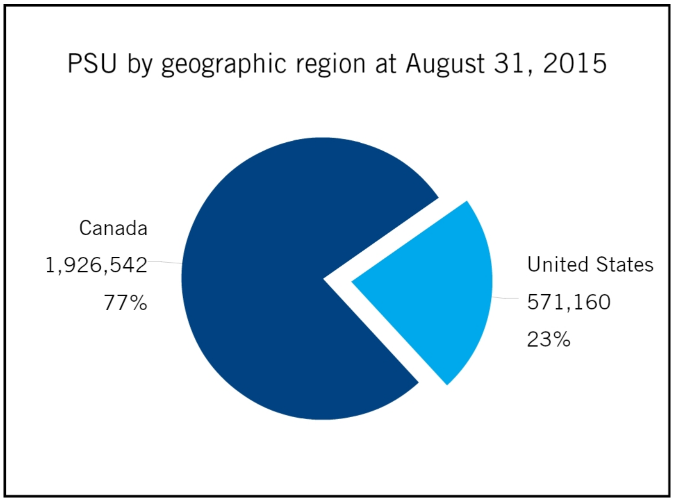
PURCHASES AND DEVELOPMENT OF ASSETS

As part of transactions involving purchases 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.

8. COMMUNICATIONS SEGMENT

8.1 CUSTOMER STATISTICS





	August 31, 2016			Net additions (losses) Years ended August 31,		% of penetration(2) August 31,	
	Consolidated	Canada	United States	2016	2015 (1)	2016	2015
PSU	**2,507,750**	**1,914,017**	**593,733**	**10,048**	(2,228)		
Video service customers	**982,955**	**739,323**	**243,632**	**(31,706)**	(35,689)	**42.8**	44.6
Internet service customers	**987,365**	**733,701**	**253,664**	**52,895**	42,344	**43.0**	41.1
Telephony service customers	**537,430**	**440,993**	**96,437**	**(11,141)**	(8,883)	**23.4**	24.1

(1) Excludes 57,746 PSU (27,256 video services, 22,673 Internet services and 7,817 telephony services customers) from the Connecticut system acquisition in the fourth quarter of fiscal 2015.

(2) As a percentage of home passed.

VIDEO

Fiscal 2016 video service customers net losses stood at 31,706 compared to 35,689 in fiscal 2015. The lower decrease resulted mainly from the launch of TiVo's digital advanced video services in fiscal 2015 in Canada and on January 12, 2016 in Connecticut, partly offset by competitive offers in the industry, the Internet Protocol Television ("IPTV") footprint growth from competitors in Canada and service category maturity.

INTERNET

Fiscal 2016 Internet service customers net additions amounted to 52,895 compared to 42,344 in fiscal 2015. The increase stemmed from the enhancement of the product offering, the positive impact of the bundle offers, demand for Internet services in the recently acquired Connecticut system, customers' ongoing interest in TiVo's services which requires an Internet subscription and the growth in the business sector.

TELEPHONY

Fiscal 2016 telephony service customers net losses stood at 11,141 compared to 8,883 in fiscal 2015. The higher decrease was mainly due to the increasing mobile penetration rate in North America and various unlimited offers launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only, partly offset by the continued growth in the residential and business sectors in the United States.

8.2 OPERATING RESULTS

Years ended August 31,	**2016**	2015	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**2,176,149**	2,043,316	6.5
Operating expenses	**1,174,232**	1,102,960	6.5
Management fees – Cogeco Inc.	**18,468**	9,877	87.0
Adjusted EBITDA	**983,449**	930,479	5.7
Operating margin	**45.2%**	45.5%	

REVENUE

Fiscal 2016 revenue amounted to $2.18 billion, an increase of $132.8 million, or 6.5%, compared to the prior year driven by growth of 29.7% in the American broadband services segment and stable revenue in the Canadian broadband services segment, partly offset by a decrease of 3.9% in the Business ICT services segment. Revenue increased mainly due to the acquisition of the Connecticut system and organic growth in the American broadband services segment combined with the favorable foreign exchange rates for our foreign operations compared to fiscal 2015, partly offset by lower revenue in the Business ICT services segment resulting from competitive pricing pressures on the hosting and network connectivity services as well as a transition out of unprofitable services.

OPERATING EXPENSES AND MANAGEMENT FEES

For fiscal 2016, operating expenses amounted to $1.17 billion, an increase of $71.3 million, or 6.5%, compared to the prior year. Operating expenses increased for the American broadband services segment and have declined for the Canadian broadband services and Business ICT services segments. The appreciation of the US dollar and British Pound compared to the Canadian dollar have also contributed to the increase.

Management fees paid to Cogeco Inc. amounted to $18.5 million compared to $9.9 million for fiscal 2015 under the Amended and Restated Management Services Agreement. For further details on management fees, please refer to the “Related party transactions” section.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2016 adjusted EBITDA increased by $53.0 million, or 5.7%, to reach $983.4 million mainly as a result of the improvement in the American and Canadian broadband services segments combined with favorable foreign exchange rates compared to the prior year, partly offset by a lower adjusted EBITDA in the Business ICT services segment and higher management fees paid to Cogeco Inc. under the Amended and Restated Management Services Agreement.

Fiscal 2016 operating margin decreased to 45.2% from 45.5% compared to fiscal 2015 mainly as a result of higher management fees paid to Cogeco Inc. combined with lower margins in the American broadband service and Business ICT services segments, partly offset by a higher margin in the Canadian broadband services segment.

9. QUARTERLY OPERATING RESULTS

9.1 QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2016				Fiscal 2015			
Quarters ended	**Nov. 30**	**Feb. 29**	**May 31**	**Aug. 31**	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of dollars, except percentages and per share data)	**$**	**$**	**$**	**$**	$	$	$	$
Revenue	**582,903**	**578,450**	**574,005**	**572,045**	538,383	536,904	557,787	554,089
Adjusted EBITDA	**255,154**	**252,129**	**253,151**	**258,328**	233,983	229,069	246,977	244,562
Integration, restructuring and acquisition costs	**2,030**	**4,320**	**1,126**	**1,326**	—	1,339	5,669	6,942
Claims and litigations	**—**	**—**	**10,499**	**292**	—	—	—	(27,431)
Impairment of goodwill and intangible assets	**—**	**—**	**450,000**	**—**	—	—	—	—
Gain on disposal of a subsidiary	**—**	**(12,940)**	**—**	**(167)**	—	—	—	—
Profit (loss) for the period	**66,831**	**75,688**	**(381,886)**	**80,662**	65,363	55,038	66,285	78,529
Profit (loss) for the period attributable to owners of the Corporation	**25,197**	**33,330**	**(117,670)**	**29,792**	26,774	14,867	22,584	25,402
Cash flow from operating activities	**90,247**	**211,460**	**186,209**	**271,114**	18,999	198,925	200,686	275,690
Acquisitions of property, plant and equipment, intangible and other assets	**147,230**	**117,220**	**94,905**	**111,002**	103,524	103,576	104,807	130,768
Free cash flow	**40,938**	**77,172**	**91,934**	**88,028**	70,728	68,917	77,929	73,150
Earnings (loss) per share attributable to the owners of the Corporation(1)(2)								
Basic	**1.51**	**1.99**	**(7.03)**	**1.78**	1.60	0.89	1.35	1.52
Diluted	**1.50**	**1.98**	**(7.03)**	**1.78**	1.59	0.88	1.34	1.51

(1) The addition of quarterly information may not correspond to the annual total due to rounding.
(2) Per multiple and subordinate voting share.

9.2 SEASONAL VARIATIONS

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

9.3 FOURTH-QUARTER OPERATIONAL RESULTS

OPERATING RESULTS

CONSOLIDATED

Quarters ended August 31,	**2016**	2015	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**572,045**	554,089	3.2
Operating expenses	**313,717**	309,527	1.4
Adjusted EBITDA	**258,328**	244,562	5.6

Fiscal 2016 fourth-quarter revenue increased by $18.0 million, or 3.2%, to reach $572.0 million compared to the same period of the prior year primarily due to the improvement in the Communications segment, partly offset by the sale of Métromédia on January 5, 2016.

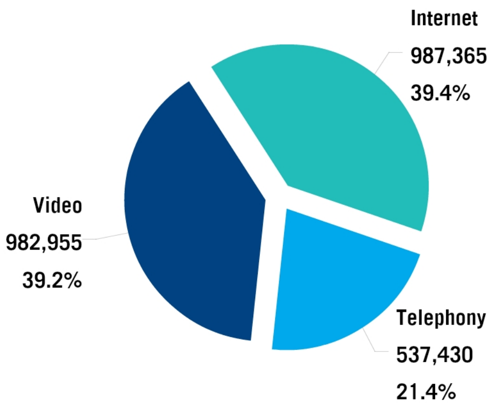
Fiscal 2016 fourth-quarter operating expenses increased by $4.2 million, or 1.4%, to reach $313.7 million compared to fiscal 2015. The increase in operating expenses is mainly attributable to the Communications segment operating results, partly offset by cost reduction initiatives in the media activities combined with the sale of Métromédia on January 5, 2016.

As a result of revenue growth exceeding operating expenses growth, adjusted EBITDA increased by $13.8 million, or 5.6%, to reach $258.3 million in the fourth quarter of fiscal 2016.

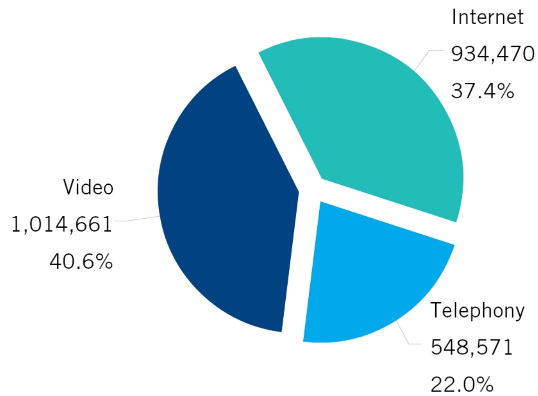
In the Communications segment, fiscal 2016 fourth-quarter revenue improved by $23.6 million, or 4.5%, to reach $544.1 million compared to the same period of prior year driven by growth in its American broadband services and Canadian services operations, partly offset by a decrease in its Business ICT services operations. Fiscal 2016 fourth-quarter operating expenses increased by $11.8 million, or 4.2%, at $291.7 million mainly due to its American broadband services operations and Business ICT services operations combined with the appreciation of the US dollar against the Canadian dollar and organic growth, partly offset by cost reduction initiatives in its Canadian broadband services operations. As a result of revenue growth exceeding operating expenses growth, adjusted EBITDA increased by $7.2 million, or 3.0%, to reach $247.8 million.

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

Customer counts at August 31, 2016



Customer counts at August 31, 2015



	August 31, 2016			Net additions (losses) Quarters ended	
	Consolidated	**Canada**	**United States**	**August 31, 2016**	August 31, 2015 (1)
PSU	**2,507,750**	**1,914,017**	**593,733**	**(4,049)**	(8,799)
Video service customers	**982,955**	**739,323**	**243,632**	**(9,454)**	(10,638)
Internet service customers	**987,365**	**733,701**	**253,664**	**9,827**	6,740
Telephony service customers	**537,430**	**440,993**	**96,437**	**(4,422)**	(4,901)

(1) Excludes 57,746 PSU (27,256 video services, 22,673 Internet services and 7,817 telephony services customers) from the Connecticut system acquisition in the fourth quarter of fiscal 2015.

VIDEO

Fiscal 2016 fourth-quarter video service customers net losses stood at 9,454 compared to 10,638 in fiscal 2015. The lower decrease mainly from the customers' ongoing interest in TiVo's digital advanced video services combined with its launch on January, 12, 2016 in Connecticut, partly offset by competitive offers in the industry, the IPTV footprint growth from competitors and service category maturity.

INTERNET

Fiscal 2016 fourth-quarter Internet service customers net additions amounted to 9,827 compared to 6,740 in fiscal 2015. The increase stemmed from the continued growth of TiVo's digital advanced video services which requires an Internet subscription, demand for Internet services in the recently acquired Connecticut system, additional marketing initiatives which focused on bundle package offerings and growth in the business sector.

TELEPHONY

Fiscal 2016 fourth-quarter telephony service customers net losses stood at 4,422 compared to 4,901 in fiscal 2015. The lower decrase resulted from the continued growth in the residential and business sectors in the United States, partly offset by the increasing mobile penetration rate in North America and various unlimited offers by mobile operators causing fewer customers to subscribe to landline telephony services.

CASH FLOW ANALYSIS

Quarters ended August 31,	**2016**	2015
(in thousands of dollars)	**$**	$
Cash flow from operating activities	**271,114**	275,690
Cash flow from investing activities	**(108,749)**	(394,258)
Cash flow from financing activities	**(185,953)**	205,917
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(14)**	2,122
Net change in cash and cash equivalents	**(23,602)**	89,471
Cash and cash equivalents, beginning of year	**91,946**	74,718
Cash and cash equivalents, end of year	**68,344**	164,189

Fiscal 2016 fourth-quarter cash flow from operating activities reached $271.1 million compared to $275.7 million for the prior year, a decrease of $4.6 million, or 1.7%, mainly as a result of the following:

- the increase of $27.7 million in claims and litigations as a result of an expense in the current year compared to a gain in the same period of the prior year; partly offset by
- the improvement of $13.8 million in adjusted EBITDA;
- the decrease of $5.9 million in non-cash operating activities primarily due to changes in working capital; and
- the decrease of $5.6 million in integration, restructuring and acquisition costs.

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications Inc., completed the acquisition of substantially all of the net assets of the Connecticut system, which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, excluding post-closing net working capital adjustment of US$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first quarter of fiscal 2016, the Corporation finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary	**Final**
	August 31, 2015	**November 30, 2015**
(in thousands of Canadian dollars)	$	$
Consideration paid		
Purchase price	261,600	**261,600**
Working capital adjustments	1,640	**1,640**
	263,240	**263,240**
Net assets acquired		
Trade and other receivables	616	**616**
Prepaid expenses and other	1,696	**1,696**
Property, plant and equipment	51,368	**51,368**
Intangible assets	108,564	**115,104**
Goodwill	101,685	**95,145**
Trade and other payables assumed	(689)	**(689)**
	263,240	**263,240**

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

Fiscal 2016 fourth-quarter acquisition of property, plant and equipment amounted to $104.1 million compared to $126.0 million in fiscal 2015. The decrease is mainly due to the following factors in the Communications segment:

In Canadian broadband services operations

- a decrease that resulted mainly from a greater level of CPE acquisitions in fiscal 2015 due to the launch of TiVo digital advanced services and in the acquisitions of scalable infrastructure and in line extensions for the extension and the improvement of our network in some of the areas we serve; partly offset by
- additional support capital expenditures for the implementation of a new Customer Relations Management system.

In the American broadband services operations

- additional support capital and CPE expenditures both as a result of the launch of TiVo digital advanced services in eastern Connecticut in January 2016 as well as the customers' ongoing interest for this service;
- acquisitions of scalable infrastructure combined with additional upgrade and rebuild expenditures to improve our network in some of the areas we serve;
- PSU growth; and
- the acquisition of the Connecticut system in the fourth quarter of fiscal 2015.

In the Business ICT services operations

- the initial construction of pod 2 at the Kirkland, Québec data centre facility related to the obtention of a large colocation contract; partly offset by
- the appreciation of the US dollar and the British Pound over the Canadian dollar compared to the prior year.

Fiscal 2016 fourth-quarter acquisition of intangible and other assets amounted to $6.9 million compared to $4.8 million in fiscal 2015.

FREE CASH FLOW AND FINANCING ACTIVITIES

Fourth-quarter 2016 free cash flow amounted to $88.0 million, an increase of $14.9 million compared to the fourth quarter of fiscal 2015, mainly as a result of the following:

- the improvement of $13.8 million of adjusted EBITDA;
- the decrease of $19.8 million in acquisitions of property, plant and equipment, intangible and other assets;
- the decrease of $5.6 million in integration, restructuring and acquisition costs; and
- the decrease of $4.4 million in current income taxes; partly offset by
- the increase of $27.7 million in claims and litigations as a result of an expense in the current year compared to a gain in the same period of the prior year.

For the fourth quarter of fiscal 2016, a lower Indebtedness level resulting from debt repayments led a cash decrease of $167.0 million compared to a higher Indebtedness for the fourth quarter of fiscal 2015 that resulted in a cash increase of $223.8 million. The variation is explained as follows:

Quarters ended August 31,	**2016**	2015	Change	Explanations
(in thousands of dollars)	**$**	$	$	
Increase in bank indebtedness	**(22,748)**	(13,420)	(9,328)	Related to the timing of payments made to suppliers.
Net increase (decrease) under the revolving facilities	**(144,214)**	116,099	(260,313)	Repayments of $144.2 million of the revolving facilities in the fourth quarter of fiscal 2016. Increase under the revolving facilities of $116.1 million in the fourth quarter of fiscal 2015 mainly as a result of a draw-down of $117.7 million (US$90 million) to finance a portion of the acquisition of the Connecticut system.
Issuance of long-term debt, net of discounts and transaction costs	**—**	128,634	(128,634)	Issuance on August 20, 2015, in the Communications segment, of an incremental Term Loan A-2 Facility of $130.8 million (US$100 million) in connection with the acquisition of the Connecticut system, for net proceeds of $128.6 million, net of transaction costs of $2.2 million (US $1.7 million)
Repayment of long-term debt	**(7)**	(7,491)	7,484	Repayments in the fourth quarter of fiscal 2015 of $7.5 million of Term Loan A Facility.
	(166,969)	223,822	(390,791)	

DIVIDENDS

During the fourth quarter of fiscal 2016, a quarterly eligible dividend of $0.295 per share was paid to the holders of subordinate and multiple voting shares, totaling $4.9 million, compared to a dividend paid of $0.255 per share, or $4.3 million in the fourth quarter of fiscal 2015.

10. FISCAL 2017 FINANCIAL GUIDELINES

10.1 CONSOLIDATED

Cogeco revised its fiscal 2017 preliminary financial guidelines issued on July 6, 2016, to take into consideration the expected financial results from the Communications segment.

The following table outlines fiscal 2017 financial guidelines ranges on a consolidated basis:

	Revised projections November 2, 2016	Preliminary projections July 6, 2016	**Actuals**
	Fiscal 2017 (1)	Fiscal 2017 (2)	**Fiscal 2016**
(in millions of dollars)	**$**	$	**$**
Financial guidelines			
Revenue	**2,320 to 2,350**	2,340 to 2,370	**2,307**
Adjusted EBITDA	**1,005 to 1,030**	1,025 to 1,050	**1,019**
Acquisitions of property, plant and equipment, intangible and other assets	**435 to 450**	440 to 455	**470**
Free cash flow	**355 to 385**	360 to 390	**298**

(1) Fiscal 2017 revised financial guidelines are based on a USD/CDN exchange rate of 1.32 and a GBP/CDN exchange rate of 1.65 compared to 1.33 and 1.91, respectively, for fiscal 2016. The assumed current income tax effective rate is approximately 21%.

(2) Fiscal 2017 preliminary financial guidelines were based on a USD/CDN exchange rate of 1.30 and a GBP/CDN exchange rate of 2.00.

10.2 COMMUNICATIONS SEGMENT

Cogeco Communications revised its fiscal 2017 preliminary financial guidelines issued on July 6, 2016. In the Canadian broadband services segment, revenue and adjusted EBITDA growth are expected to be lower than initially projected as a result of the recent decision of the CRTC, on October 6, 2016, to reduce significantly on an interim basis the third party Internet access ("TPIA") capacity rates. In addition, the more competitive environment should lead to additional promotional initiatives. In the Business ICT services segment, the ongoing changing industry dynamics and the highly competitive environment should result in lower than expected operating results.

Cogeco Communications expects fiscal 2017 revenue to reach between $2.20 billion and $2.23 billion. In the Canadian and American broadband services segments, revenue growth should stem primarily from targeted marketing initiatives to improve penetration rates of Internet services in the residential and business sectors and telephony services in the business sector while the penetration of residential telephony and video services should decrease in Canada, reflecting service category maturity and competition. We expect the penetration of digital video and Internet services to continue to benefit from customers' ongoing interest in TiVo's digital advanced video services in Canada and the United States. The Canadian and American broadband services segments should also benefit from the impact of rate increases in most of their services and from PSU growth in the United States. In the Business ICT services segment, revenue should remain essentially the same on a constant foreign exchange rates basis.

Adjusted EBITDA should reach between $980 million and $1 billion as a result of cost reduction initiatives from improved systems and processes, partly offset by marketing initiatives and retention strategies to support the revenue growth and annual increases in programming costs. Certain affiliation agreements with some of our major Canadian programming suppliers have expired and the terms and conditions for their renewal have not yet been concluded. Operating margin should be slightly lower compared to fiscal 2016 as a result of operating expenses exceeding revenue growth.

Free cash flow should increase significantly to reach between $345 million and $375 million compared to fiscal 2016 as a result of a reduction in capital expenditures and in current income taxes, combined with the improvement of the adjusted EBITDA. The business ICT services segment is expected to generate unleveraged free cash flow through declining capital expenditures. Accordingly, generated free cash flow should reduce Indebtedness, net of cash and cash equivalents, thus improving the Corporation's net leverage ratios.

The capital intensity ratio should decrease compared to fiscal 2016 mainly as a result of significantly lower capital expenditures for the Business ICT services segment as the Corporation completed in fiscal 2016 strategic investments amounting to approximately $50 million in its Kirkland data centre facility, including specialized equipment, to build pod 2 and secure a large colocation contract. In fiscal 2017, there will be a greater focus on capital expenditure optimization. On the other hand, capital intensity in the American broadband services segment will be slightly higher mainly as a result of strategic investments in high growth segments, such as large multi dwelling unit contracts.

The following table outlines fiscal 2017 financial guidelines ranges on a consolidated basis:

	Revised projections November 2, 2016	Preliminary projections July 6, 2016	**Actuals**
	Fiscal 2017 (1)	Fiscal 2017 (2)	**Fiscal 2016**
(in millions of dollars)	**$**	**$**	**$**
Financial guidelines			
Revenue	**2,200 to 2,230**	2,220 to 2,250	**2,176**
Adjusted EBITDA	**980 to 1,005**	1,000 to 1,025	**983**
Operating margin	**44.5% to 45.1%**	45.0% to 45.6%	**45.2%**
Acquisitions of property, plant and equipment, intangible and other assets	**430 to 445**	435 to 450	**468**
Free cash flow	**345 to 375**	350 to 380	**281**
Capital intensity	**19.5% to 20.0%**	19.6% to 20.0%	**21.5%**

(1) Fiscal 2017 revised financial guidelines are based on a USD/CDN exchange rate of 1.32 and a GBP/CDN exchange rate of 1.65 compared to 1.33 and 1.91, respectively, for fiscal 2016. The assumed current income tax effective rate is approximately 21%.

(2) Fiscal 2017 preliminary financial guidelines were based on a USD/CDN exchange rate of 1.30 and a GBP/CDN exchange rate of 2.00.

11. 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 Company and its subsidiaries have not yet identified or that they currently consider not to be material, actually occur or become material risks, the Company and its subsidiaries' business, 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 adopted an Enterprise Risk management ("ERM") policy and implemented the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") ERM Framework to manage risks and uncertainties in order to support the achievement of organizational objectives and ultimately maximize shareholder value. As part of this process, Management identifies annually the principal business risks facing the Corporation in the context of its global business and affairs that are liable to have a material impact on the Corporation's financial situation, revenue or activities. Management also identifies appropriate measures to proactively manage these risks as may be reasonable and appropriate in the circumstances. Such risks and mitigation measures are presented to the Board and fully considered in the annual strategic planning process. They are also monitored regularly by the Audit Committee who oversees the implementation by Management of appropriate mitigation measures.

11.1 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 and a larger base of customers. These competitors may be able to adapt more quickly to new or emerging technologies, changes in customer requirements, 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 these investors could result in pricing pressures and increased costs of customer acquisition and could adversely affect our business and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future and 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 operating margins and desired capital intensity.

We face intense competition in the Canadian broadband services segment of Cogeco Communications from several large integrated electronic communications service providers.

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

Bell and TELUS are building 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 with substantial bandwidth and telephony services, each of which is comparable to the services Cogeco Connexion offers. We may not be in position to match on a timely basis the technical capability of a FTTH network throughout our network footprint.

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. Rogers, Vidéotron, an indirect subsidiary of Québecor Inc., and Shaw are actively marketing their mobile telecommunications services within our network footprint and leading an increasing number of customers to replace their landline telephony services by mobile telephony services. Furthermore, the deployment of 5G wireless technology may lead in the future to more competition for Internet and video services in our territories.

In Canada, Cogeco Communication's subsidiary, Cogeco Connexion, also faces competition from several independent Internet service providers ("ISP") who have subscribed to the wholesale third party Internet access ("TPIA") service mandated by the Canadian Radio-Television and Telecommunications Commission's ("CRTC") in order to provide Internet, telephony and to a lesser extent, television services to their customers.

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

Some of the large integrated electronic 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. The CRTC adopted in September 2015 a new Wholesale Code to address potential anti-competitive practices in dealings between programming content owners and distributors. The Wholesale Code is currently being appealed by Bell before the Federal Court of Appeal. In the absence of negotiation safeguards, such as the ones contained in the Wholesale Code or other appropriate safeguards, there is a risk that vertically integrated competitors abuse their market power and impose anticompetitive terms for the distribution of their programming services or attempt to withhold content from us. Please refer to the "Regulatory Risks" section below for more details.

Competition is fragmented in the American Broadband services segment of Cogeco Communications and varies by geographical area.

Our principal competitors in the United States for video services are direct broadcast satellite ("DBS") providers, DirecTV, Inc. (owned by AT&T) and Dish Network, and our principal competitor for Internet services is direct subscriber line ("DSL") from a variety of service providers. Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as cellular and VoIP providers.

We also face competition for high-speed Internet, voice and video services from Verizon in our Maryland/Delaware market, AT&T in our Aiken, South Carolina market, Frontier in our Connecticut market and AT&T, Comcast and Hotwire in our Miami market.

Intensive marketing efforts and aggressive pricing from our competitors may have a material adverse impact on our ability to retain and gain new customers.

We face competition in both the Canadian and American Broadband services segments of Cogeco Communications from over-the-top ("OTT") services that are gaining increased interest from consumers.

Although TV remains the leading platform by which most people view video, on-line streaming is growing rapidly and gaining ground on linear video. An emerging business model where programming could increasingly transition to an OTT platform would impact the current video business model. The OTT trend is expected to continue and we could be materially adversely impacted by our customers' switch from cable services to programming content available over the Internet and we may not be able to make up for the loss of revenue associated with this migration.

An increased number of consumers are switching from landline telephony to mobile telephony.

The recent trend towards mobile substitution, which occurs when users replace their landline telephony services by mobile telephony service, is largely the result of the increasing mobile penetration rate in North America and the various unlimited offers launched by mobile operators. We do not currently offer mobile services and, therefore, further migration towards mobile solutions could have a material adverse effect on our business, financial condition, prospects and results of operations.

We do not offer "quadruple-play" service bundles that include mobile communications, since we do not offer mobile services.

Although we provide "double-play" and "triple-play" service bundles in Canada and the United States, with various combinations of video, Internet and landline telephony services being offered at bundled prices, we do not offer "quadruple-play" service bundles which include mobile communications, since we do not offer mobile telephony or mobile Internet services.

As markets evolve and mobility becomes a more cost-effective substitute to wireline communications, we may need to add mobility components to our service offerings, through suitable mobile virtual network ("MVNO") arrangements with existing or future mobile operators, or otherwise through new alternatives. We may not be able to secure on a timely basis the appropriate MVNO arrangements or mobile alternatives that may be required for competitive reasons in the future. Also, the capital and operating expenses eventually required to offer quadruple-play service bundles and mobile services may not be offset by the incremental revenue that such new bundles or mobile services would generate, thus resulting in downward pressure on operating margins.

The markets in which the Business ICT services segment of Cogeco Communications operates are highly competitive, constantly changing and fragmented.

Competition in the Business ICT services segment of Cogeco Communications includes local and regional, in addition to national and international competitors. We face competition in relation to colocation, network connectivity, hosting, cloud and managed services from Canadian network service providers (e.g. Bell, TELUS, Rogers), international managed services providers (e.g. Rackspace**,** Softlayer), cloud services providers (e.g. Amazon and Microsoft), small regional and local specialized firms (e.g. Beanfield, Cogent) and in some cases from large system integrators (e.g. IBM, CGI). The principal competitive differentiators include providing our customers with access to a comprehensive suite of services that empower them to scale and grow for the future.

Competition in the Business ICT services segment of Cogeco Communications is intense, particularly among providers of cloud services, and we may not be successful in meeting demand or differentiating ourselves from our competitors in this market segment. Large-scale cloud providers benefit from highly efficient operations and increased purchasing power, allowing them to offer low prices. Increased supply for these services in excess of demand could also exert downward pressure on prices which could harm our operating margins.

11.2 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 results 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. Any material failure to implement our strategic plan and business strategies 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 operating margins by tightly controlling operating expenses. The largest driver 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 sharply in Canada and in the United States in recent years, particularly sports programming license fees. Future increases in programming 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 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 favorable to us, and programming license fees may thus increase by larger increments in future years.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been 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 fees or otherwise subject us to adverse competitive conditions.

In the United States, the cable industry has also experienced a rapid escalation in the cost of programming in recent years, particularly sports programming and the retransmission of local broadcast programming. Most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Also, in order to obtain the most popular programming services, programmers require us to carry a number of the programmers' less popular services, further increasing our costs.

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 per customer fee 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 carriage of multicast signals.

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

MEETING CUSTOMER DEMANDS

Failure to anticipate and respond in a timely manner to emerging customer demands, 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 services offering to changing customer expectations and market conditions could have a material adverse effect on our businesses, financial condition and results of operations.

RELIANCE ON THIRD PARTIES

We depend on certain third-party suppliers for the provision of our broadband services.

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

We also depend on third party suppliers and providers, such as TiVo, Arris and Cisco, for certain specialized services, hardware and equipment that are critical to our Canadian and American broadband operations, such as set-top boxes, cable and telephony modems, servers, routers and telephony switches.

As we expand video services with TiVo (recently acquired by Rovi) in our American and Canadian footprint, we will increasingly rely on TiVo. TiVo provides a customer premise equipment ("CPE"), as well as a software user interface ("UI") with an enhanced programming guide ("EPG") to seamlessly access programming content. Failure by TiVo to continue delivering CPEs, could result in a meaningful impact until an alternate provider is certified. If no other suppliers are able to provide similar equipment and/or services or comply with technology evolution on a timely basis and at an acceptable cost, current financial conditions and operating performance could be materially adversely affected.

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 could have a materially adverse effect our business, financial condition and results of operations.

We depend on third‐party power utilities and third party Internet providers for certain of our Business ICT services.

We depend on power utility suppliers in the geographical areas in which our data centres are located. Prolonged power outages could prevent us from delivering some of our services until our power utility suppliers have resolved the failure, which may result in significant customer dissatisfaction, loss of revenue and potential litigation.

Cogeco Peer 1 depends on third-party Internet providers with regards to the purchase of bandwidth throughout its network. There can be no assurance that these telecommunications, Internet access and Internet service providers will continue to provide service to Cogeco Peer 1 on competitive terms, if at all, or that Cogeco Peer 1 will be able to acquire additional network capacity to adequately meet future customer demand. A failure by the Internet providers in their ability to provide the service or the inability from Cogeco Peer 1 to acquire additional network capacity and maintain direct connections to multiple IP backbone networks in order to meet future customer demand, could materially adversely affect our financial condition and operating results.

We lease facilities from third parties.

Most of the data centres operated by Cogeco Peer 1 are located in leased premises. The failure to comply with lease terms and conditions resulting in termination of lease agreement or failure to renew said leases at commercially reasonable terms could have a material adverse effect on our ability to conduct our business and results of operations.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

Cogeco Communications has grown through acquisitions and will continue to seek attractive acquisition opportunities which could involve significant risks and uncertainties that could materially adversely affect our financial position, financial performance, cash flows, business or reputation. There is no assurance that the integration of these acquisitions will be successful and will deliver 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.

Last year, we undertook an important consolidation and rationalization of the operations of Cogeco Data Services and Peer 1 Hosting in order to improve the productivity and competitiveness of the Business ICT services segment of Cogeco Communications. Combining the management, operations, customers, systems and processes of these two Corporations into Cogeco Peer 1 involves various strategic choices and execution risks that may materially adversely affect the performance of this segment. There is no assurance that such reorganization will provide the expected operational benefits.

FOREIGN OPERATIONS

Our American Broadband services activities are carried out by Atlantic Broadband in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut while part of our Business ICT services activities are conducted by Cogeco Peer1 in the United States (California, Texas, Virginia, Florida and Georgia) and Europe (United Kingdom and France). The revenue of the Corporation in the United States and in Europe represents respectively 30.7% and 1.7% 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 impact on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. 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 have a material adverse effect on our growth, business and profitability.

LABOR RELATIONS

As of August 31, 2016, approximately 23% of our employees were represented by several unions under collective bargaining agreements. 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 labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labor protests, the outcome of labor 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.

11.3 REGULATORY RISKS

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

Our Canadian and American Broadband operations are subject to extensive and evolving laws, regulations and policies. Changes to these laws, regulations and policies could have negative financial, operational or competitive consequences on our business. Recent regulatory proceedings and decisions in Canada and the United States described below may also affect us and have an adverse impact on our business.

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

Canadian laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcasting programming and broadcasting distribution licences. With respect to broadcasting distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services, the composition of the basic cable service, access to distribution, the resolution of disputes on the terms of carriage for Canadian programming services and mandatory financial contributions for the funding of Canadian programming. There are significant restrictions on the ability of non-Canadians to own or control broadcasting licences and telecommunications common carriers in Canada.

Cogeco Connexion, our broadcasting distribution and telecommunications business in Canada is primarily regulated respectively under the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder. The CRTC, which oversees the implementation of the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. In addition, we are subject to other Canadian laws relating to communications, intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years.

Cogeco Connexion cable systems operated in Canada are subject to periodic licence renewals by the CRTC. The maximum licence term is seven years. While CRTC licences are usually renewed in the normal course upon application by the licensee, except in case of substantial and repeated breach of conditions or regulations by the licensee, there can be no assurance that the maximum renewal term will be granted or that new or modified conditions of licence or expectations will not apply to the renewal term. Cable service areas in Canada are non-exclusive. Competition from additional programming distributors through cable or distribution platforms in our Canadian service area could materially adversely affect our growth, financial condition and results of operations.

Changes to the Canadian regulatory framework, specifically the laws, regulations and policies governing our lines of business or operations, foreign ownership restrictions, terms of licence, the issuance of new licences, the distribution and packaging of programming services, wholesale or retail service terms, terms for the licensing of programming services for distribution in Canada on various distribution platforms, complaint or dispute resolution processes, industry codes of conduct, or the tax status or treatment of competitive suppliers or their respective services, could have a material adverse effect on our business (including who we compete with and how we provide products and services), financial condition, prospects and results of operations. In addition, we may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form Canadian laws, regulations, policies and rulings will be adopted over time, when they will be implemented or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect us.

United States federal, state and local governments extensively regulate the cable services industry. Regulation of the cable industry has increased the administrative and operational expenses and limited the revenue of cable systems. Cable operators are subject to, among other things:

- requirements that cable operators carry a local broadcast stations or obtain consent to carry a local or distant broadcast stations;
- the manner in which services are marketed to customers;
- cable system ownership limitations and program access requirements;
- payment of federal universal service assessments for any end user revenue from interstate and international telecommunications services and telecommunications provided to a third party for a fee, and other state and federal telecommunications fees;
- customer privacy regulations; and
- regulations governing a variety of operational areas such as equal employment opportunity, technical standards, political advertising and advertising in children's programming, emergency alert systems, maintenance of public files, disability access, including requirements for closed-captioning, and customer service requirements.

Atlantic Broadband's cable systems operate under non-exclusive franchises granted by local or state franchising authorities. Most franchise agreements require Atlantic Broadband to pay up to five percent of its gross revenue to the franchising authority. Many franchise agreements also require the provision of free services to the franchising authorities, as well as capital and channel capacity for public, educational and governmental access channels. A termination of a franchise, a failure to renew a franchise on economically favorable terms and/or a franchising authority granting a franchise to a competitor on more favorable terms, especially those in the areas where Atlantic Broadband has the most customers, could have a material adverse effect on Atlantic Broadband business, results of operations and financial condition.

The Federal Communications Commission ("FCC") and the United States Congress continue to be concerned that cable rate increases are exceeding inflation and as a result it is possible that either the FCC or the United States Congress will restrict the ability of cable system operators to implement rate increases. If we are unable to raise our rates in response to increasing costs, our financial conditions and results of operations could be materially adversely affected.

In addition, we could be materially disadvantaged if we remain subject to legal and regulatory constraints that do not apply equally to our competitors. The FCC has adopted rules to ensure that the local franchising process does not unreasonably interfere with competitive entry and several states have enacted legislation to ease the franchising obligations of new entrants. Further, DBS providers are not required to obtain franchise agreements, pay franchise fees, provide public, educational and governmental access channel capacity and support payments or provide other free services to franchising authorities. These varying regulatory requirements will benefit our competitors. Atlantic Broadband could be materially disadvantaged if the rules continue to set different, less burdensome requirements for some of its competitors than for the Corporation. Congress has, from time to time, considered telecommunications reform legislation which would significantly reduce the franchising burdens of competitors, but we cannot predict whether such legislation might be enacted or what effect it might have on Atlantic Broadband.

Recent regulatory proceedings and decisions in Canada and the United States may also affect us and have an adverse impact on our business.

Several recent proceedings and decisions of the CRTC in Canada and the FCC in the United States could have a material adverse impact on our business and results of operations.

Following a regulatory policy proceeding launched in April 2014 regarding Canadian television broadcasting and distribution (the "*Let's Talk TV Proceeding*"), the CRTC has issued a series of regulatory policy statements that provide for a number of major changes to the regulatory framework for television broadcasting and distribution in Canada. On March 1, 2016, Cogeco Connexion started offering a small entry-level package comprised of local and regional over-the-air Canadian stations, mandatory distribution channels as well as community and educational channels, at a retail regulated price of $25 with no inflation mechanism, exclusive of equipment. Cogeco Connexion also started offering smaller optional packages of 10, 20, 30 or 40 additional channels in Ontario and of 10, 15, 20 and 30 channels in Québec. Close to 110 discretionary services in Ontario and 60 in Québec are also available on a pick and pay basis. All discretionary services must be made available *à la carte*, starting December 2016. Revenue of broadcasting distribution undertakings ("BDUs") are under pressure as customers can reduce their television spending by choosing to subscribe to the small entry-level package or by subscribing to smaller television packages or fewer television services.

As part of these policy changes, the CRTC issued on September 24, 2015, a Wholesale Code to govern the commercial arrangements between BDUs and programming services. The Wholesale Code imposes a number of negotiation parameters with respect to affiliation agreements between programming services and cable and satellite distributors in Canada, including dealing with dispute resolution. In prior regulatory proceedings before the CRTC, Cogeco Communications and other independent distributors advocated the adoption of a Wholesale Code so as to ensure that vertically integrated entities such as Bell cannot abuse their market power and impose anticompetitive terms for the distribution of their programming services. On October 23, 2015, Bell filed a motion to the Federal Court of Appeal, seeking leave to appeal the Wholesale Code on the basis that it would be conflicting with the Copyright Act and not authorized by the *Broadcasting Act*. Bell argues that the Wholesale Code wrongly interferes with their intellectual property rights in programs under the *Copyright Act* and that the CRTC lacks jurisdiction to issue the Wholesale Code under the *Broadcasting Act*. On December 22, 2015, the Federal Court of Appeal granted Bell leave to appeal the Wholesale Code. Cogeco Communications is challenging Bell's appeal. The Wholesale Code came into force on January 22, 2016 and is applicable to all licensed programming and distribution undertakings.

On April 10, 2015, the CRTC initiated a public consultation aiming to review the basic telecommunications services that should be available to all Canadians at an affordable price. In this proceeding, the CRTC considered whether the broadband Internet access service should be included in the current definition of the basic telecommunications services. Furthermore, the CRTC examined whether the existing local service subsidy regime should be changed to fund the expansion of the Internet access service in rural and remote areas where Canadian households do not have access to broadband Internet service. As a result of this proceeding, the CRTC may decide to implement a new contribution mechanism on all Internet service providers to fund access to broadband Internet services which could adversely affect our business and results of operations.

On July 22, 2015, the CRTC issued a decision which concluded a review of its wholesale wireline telecommunication policies. The CRTC decided that the mandatory provision of centralized points of access for TPIA customers to connect to the services will be phased out in conjunction with the implementation of regional based access points of service. The requirement to implement decentralized wholesale high speed access ("HSA") services will include making them available over fibre-access facilities. Specifically, ISPs desiring access to customers served by FTTH access facilities will be able to do so by using a regional wholesale HSA service point of interconnection. This regional wholesale HSA service is to be implemented in phases, starting with the provinces of Ontario and Québec. Accordingly, as a result of a follow-up proceeding, on September 20, 2016, the CRTC approved with adjustments the proposed configurations filed by the major ISPs operating in these provinces, including Cogeco Connexion, for their respective regional wholesale HSA services, and have ordered them to file proposed tariffs for approval. In parallel to the wholesale services review described above, the CRTC held a second review in relation to the costing inputs for wholesale high-speed access services. The CRTC decision issued on March 31, 2016 established the principles applicable to the costing model of the economic studies to be filed for tariff approval of the wholesale HSA rates and ordered all Canadian major ISPs to file for examination proposed tariffs for their TPIA services offered at their centralized points of interconnection. On October 6, 2016, the CRTC reduced all proposed capacity rates per 100Mbps on an interim basis and announced that the establishment of the final capacity and access rates will be based on a full review and assessment of the relevant cost inputs and costing methodologies in an upcoming proceeding. Final TPIA rates resulting from this proceeding could adversely impact our financial position and results of operations.

During the past several months, the FCC has initiated several rulemaking proceedings, which could have an adverse impact on our business and increase our costs, depending upon the outcome of the final rulemakings.

On February 18, 2016, the FCC initiated a Notice of Proposed Rulemaking that would allow consumers to access the programming content they purchase from cable operators via free applications on a variety of third-party devices, without having to obtain and pay for set-top boxes from such cable operators. This Rulemaking could have an adverse financial impact on our business, as well as our ability to innovate and bundle our services.

On March 31, 2016, the FCC initiated a Notice of Proposed Rulemaking that would expand the Customer Proprietary Network Information ("CPNI") privacy rules to broadband service. This Rulemaking could impose additional restrictions on our collection, use and disclosure of customer information and restrict our marketing practices.

On April 28, 2016, the FCC initiated a Notice of Proposed Rulemaking that would regulate our rates for business data services, such as Ethernet services.

As a result of the FCC's net neutrality order, which was upheld by the U.S. Court of Appeals on June 14, 2016, Internet services are now subject to regulation at the federal level, and certain states and local governments are attempting to regulate Internet services. The regulations could impact our network management practices. Additionally, such regulations could impact our broadband service rates, terms and conditions. Such regulations also impose significant monetary penalties for non-compliance.

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 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. Three states in which Atlantic Broadband has cable systems have certified that they regulate pole attachments. There is always the possibility that the FCC or a State could permit the increase of pole attachment rates paid by cable operators.

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.

REGULATORY RISKS - BUSINESS ICT SERVICES SEGMENT OF COGECO COMMUNICATIONS

The activities in our Business ICT services operations are less regulated than our Canadian and American broadband services operations. Cogeco Peer 1 is nevertheless subject to various laws and regulations in the course of its business activities in the jurisdictions where it operates, including applicable laws and regulations dealing with international trade and foreign policies that restrict private trade with certain countries or individuals, environmental compliance, telecommunications, and privacy and data security.

11.4 TECHNOLOGY RISKS

NETWORK FAILURE

In Canada, Cogeco Connexion provides digital video, Internet and telephony services through a network of four major headends and several minor headends in our broadband network. Although we have a backup system for retransmission through another headend or a mobile headend if one of our headends fails, there may be a delay in transferring to another headend, which could potentially have a material adverse impact on our service performance, brand, reputation, customer relationship and results of operations.

In the United States, Atlantic Broadband provides digital video, Internet and telephony services through seven major headends and several minor ones. Despite available 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.

A failure of our broadband network could result in significant customer dissatisfaction, loss of revenue and potential litigation, depending on the severity of the outage condition. This risk is being slowly mitigated as we complete our fibre rings and headend interconnects, providing for a more robust redundant architecture.

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

We continuously maintain, upgrade or replace our network, infrastructure or IT systems in order to optimize our networks and systems, increase the speed of our Internet service, 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

The daily operation of our businesses is highly dependent on information technology systems, including those provided by certain third party suppliers. Our business is dependent on our payroll, transaction, 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 accommodate additional customer growth or to support new products and services could also have a material adverse impact 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 impact our financial results and position. Cogeco Connexion is currently working on the replacement of its legacy ordering and billing software platforms in Ontario and Québec for both its residential and its business customers. Implementation or transitioning issues, delays or cost overruns could have a material adverse effect on our operations, financial performance and future business prospects. There can be no assurance that this replacement will be implemented successfully and in accordance with anticipated timelines.

INFORMATION SECURITY RISK

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 have deployed over the recent year numerous efforts to improve the overall governance over information security, the security of our IT systems, the controls within our IT systems and our business processes. All the employees of Cogeco were also required, last year, to attend mandatory on-line training sessions to review the terms set out in Cogeco's Information security and Cyber-Security Policy, with the objective of enhancing our overall culture of information security. These efforts and initiatives may not however successfully prevent cybersecurity breaches and unauthorized access to confidential, sensitive or proprietary information and could result in a material adverse impact to our service performance, brand, reputation, customer relationship and results of operations.

DATA PROTECTION

We collect, use and manage in the course of our business various data about our customers, including sensitive personal information. Policies, procedures, guidelines, business rules and safeguards have been put in place to ensure that the personal information of our customers is protected and treated appropriately under applicable privacy laws. Existing and proposed privacy Canadian legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on our collection and use of certain kinds of information.

Any malfunction of our systems and equipment or security breaches resulting in unauthorized access to, loss or use of, customer and employee personal information or the personal information that our customers process using the Business ICT services of Cogeco Communications could result in the potential loss of business, damage to our market reputation, litigation, regulatory investigation and penalties.

11.5 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.

CURRENCY AND INTEREST RATES

Our financial results are reported in Canadian dollars and a significant portion of our revenue and operating expenses are realized in currencies other than Canadian dollars, most often US dollars and British Pounds. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar or the British Pound during a given financial reporting period would result in variations on our operating results and financial condition and consequently, our reported earnings and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations. Significant fluctuations in relative currency values against the Canadian dollar could therefore have a significant impact on our future profitability.

Interest rate volatility can also have a material adverse impact on our financial performance due to the size and composition of our corporate debt portfolio.

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 continual change 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 assessment of interest and penalties having a material adverse impact on financial results.

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

11.6 ECONOMIC CONDITIONS

We are affected by general economic conditions, consumer confidence spending, and the demand for and prices of 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.

11.7 OWNERSHIP RISKS

We are controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri 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 TSX. 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 impacted.

11.8 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. Global climate change may increase the severity and frequency of natural threats on our business, such as weather-related events. Although we have business continuity and disaster recovery plans and strategies, 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.

11.9 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 impact our reputation, results of operation 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 operation or financial condition.

12. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

12.1 OVERVIEW

The Cogeco group of companies 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 Corporation's Code of Ethics and the Corporate Social Responsibility Policy together form the framework of our CSR Program. The CSR Program is under the responsibility of the Vice-President Internal Audit and Risk Management.

The CSR program integrates our corporate social responsibility objectives articulated around six pillars:

- managing its environmental footprint;
- taking part in developing communities;
- taking part in developing our employees;
- integrating the best CSR practices;
- being transparent in communicating our CSR activities; and
- ensuring the Corporation's growth is sustained by sound corporate governance practices.

Supported by a corporate management structure, overseen by a CSR Steering Committee composed of executives from all business units, and a sound corporate governance framework, we strive to improve our performance in line with the expectations of our stakeholders, our corporate values and our business objectives. To achieve its CSR goals of reducing its environmental footprint and having a positive impact on society, we have developed key performance indicators for social, economic and environmental objectives. These objectives are tracked and reported on a biannual basis to the Corporate Governance Committee.

12.2 FISCAL 2016 ACTIVITIES AND ACHIEVEMENTS

During fiscal 2016, the key initiatives of the CSR Program were rolled-out to our business units in the Communications and Media segments, namely Atlantic Broadband, Cogeco Connexion and Cogeco Peer 1 and Cogeco Media.

Some examples of the CSR initiatives that were conducted in fiscal 2016 include:

- we published our third CSR Report, following version 4 of the Global Reporting Initiative's Guidelines;
- each operating unit developed a three-year action plan to integrate the CSR principles into their activities and operations. Together, the action plans shape our corporate CSR commitments;
- we measured our Greenhouse Gas Emissions ("GHG") and integrated Atlantic Broadband, Cogeco Peer 1 and Cogeco Media into the calculations;

- we published our fifth Carbon Disclosure Project ("CDP") report and completed the Information and Communications Technology additional module;
- we adopted a Supplier Code of Conduct, which aims at defining the social, environmental and ethical expectations for suppliers doing business with Cogeco. The Code is available in the CSR section of our Corporate website ;
- approximately 20% of Cogeco's facilities underwent environmental assessments conducted by a third party. No significant adverse impact on the environment was identified during that exercise;
- Cogeco Connexion voluntarily purchased carbon offsets to cover the GHG from its business travel in fiscal 2016 (283 tons of CO_2e). The offsets purchased are Gold Standard and Gold Standard Transition, and will fund emissions reduction projects located in Québec and in developing countries;
- we contributed approximately $2.9 million to donations and sponsorships and offered air time for fund raising purposes. Our principal focus areas are the health, culture and education sectors;
- we participated in the development 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.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in January 2016.

RECOGNITIONS

Cogeco's CSR program and related initiatives were recognized during fiscal 2016:

- Cogeco Communications was named to Corporate Knights' *The Future 40 Responsible Corporate Leaders in Canada* for a third year in a row. The Corporation now holds the 23rd rank in the highly-regarded magazine's ranking.
- For a third year in a row, Cogeco Communications was part of the *Jantzi Social Index*, consisting of 60 Canadian companies that passed a set of broadly based environmental, social, and governance rating criteria. The analysis highlights Cogeco Communication's implementation of sound policies and management systems to ensure customer data security and privacy. It also underlines Cogeco Communication's engagement with key suppliers regarding its social and environmental performance

12.3 FISCAL 2017 CORPORATE SOCIAL RESPONSIBILITY FOCUS

In fiscal 2017, we will continue with the implementation of the main initiatives of the CSR program, such as the reduction of our GHG emissions, the implementation of our Supplier Code of Conduct and the monitoring of our key performance indicators. We will also work on publishing our fourth CSR Report, including all business units of Cogeco Inc., which should be posted in January 2018 on our Corporate website.

13. CONTROLS AND PROCEDURES

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

The CEO and CFO, supported by Management, evaluated the design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2016, and concluded that they were effective. Furthermore, no significant changes to the internal controls over financial reporting occurred during the year ended August 31, 2016.

14. ACCOUNTING POLICIES

14.1 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 at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods;
- The recovery of the consideration is probable; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

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

- Monthly subscription revenue for video, Internet and telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from colocation, network connectivity, hosting, cloud and managed services are recognized as the services are provided;
- Revenue generated from the sale of home terminal devices or other equipment are recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses.

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 and intangible assets 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.

CAPITALIZATION OF INTANGIBLE ASSETS

Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity. Direct and incremental costs associated with the acquisition of Business ICT service customers are capitalized.

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 asset 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.

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.

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.

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.

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. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes.

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:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are 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 and long-term debt are classified as other liabilities. They are 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.

Derivative financial instruments and hedge accounting

The Communications segment uses cross-currency swaps and foreign currency forward contracts as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes Series A and forecasted purchase commitments of property, plant and equipment. In addition, 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 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. 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 instruments and the hedged items, 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. 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 the reported 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.

CONTINGENCIES AND COMMITMENTS

The Corporation is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The contractual and other commercial obligations primarily relate to programming costs and operating lease agreements for use of premises and transmission facilities. The Corporation recognizes liabilities for contingencies and commitments when a loss is probable and can be reasonably estimated based on available information. Significant assumption changes as to the likelihood and estimates of a loss could result in the recognition of an additional liability.

14.2 FUTURE ACCOUNTING DEVELOPMENT IN CANADA

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standard Board* ("IASB") that are mandatory but not yet effective for the year ended August 31, 2016, 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:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2018	Early adoption permitted
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018	Early adoption permitted
IFRS 16 Leases	January 1, 2019	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

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 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 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 Customer*s and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. 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. IFRS 16 supersedes the current standard IAS 17 *Leases.* The accounting treatment for lessors will remain largely the same as under IAS 17. Early adoption is permitted, but only if the entity is also applying IFRS 15.

The Corporation is in the process of determining the extent of the impact of these changes on its consolidated financial statements.

15. 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.

Non-IFRS measure	Application	Calculation	Most comparable IFRS measure
Free cash flow	Management and investors use free cash flow to measure Cogeco's ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow: - Cash flow from operating activities add: - amortization of deferred transaction costs and discounts on long-term debt; - changes in non-cash operating activities; - income taxes paid; and - financial expense paid deduct: - current income taxes; - financial expense; - acquisition of property, plant and equipment; and - acquisition of intangible and other assets.	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 the Cogeco's business units is equal to the segment profit (loss) reported in note 4 of the Consolidated Financial Statements.	Adjusted EBITDA: - Profit (loss) for the year add: - income taxes; - financial expense; - impairment of goodwill and intangible assets; - depreciation and amortization; - claims and litigations; - integration, restructuring and acquisition costs; deduct: - gain on disposal of a subsidiary.	Profit (loss) for the year

15.1 FREE CASH FLOW RECONCILIATION

	Quarters ended		Years ended	
	August 31, 2016	August 31, 2015	**August 31, 2016**	August 31, 2015
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**271,114**	275,690	**759,030**	694,300
Amortization of deferred transaction costs and discounts on long-term debt	**2,179**	2,226	**9,283**	8,702
Changes in non-cash operating activities	**(53,047)**	(47,130)	**(24,534)**	63,402
Income taxes paid	**19,519**	20,100	**128,574**	76,179
Current income taxes	**(25,753)**	(30,126)	**(100,680)**	(96,879)
Financial expense paid	**20,827**	19,558	**139,238**	136,587
Financial expense	**(35,809)**	(36,400)	**(142,482)**	(148,892)
Acquisition of property, plant and equipment	**(104,094)**	(125,969)	**(447,158)**	(426,405)
Acquisition of intangible and other assets	**(6,908)**	(4,799)	**(23,199)**	(16,270)
Free cash flow	**88,028**	73,150	**298,072**	290,724

15.2 ADJUSTED EBITDA RECONCILIATION

	Quarters ended		Years ended	
	August 31, 2016	August 31, 2015	**August 31, 2016**	August 31, 2015
(in thousands of dollars)	**$**	$	**$**	$
Profit (loss) for the period	**80,662**	78,529	**(158,705)**	265,215
Income taxes	**20,303**	29,651	**76,329**	81,350
Financial expense	**35,809**	36,400	**142,482**	148,892
Impairment of goodwill and intangible assets	**—**	—	**450,000**	—
Depreciation and amortization	**120,103**	120,471	**502,170**	472,615
Claims and litigations	**292**	(27,431)	**10,791**	(27,431)
Integration, restructuring and acquisition costs	**1,326**	6,942	**8,802**	13,950
Gain on disposal of a subsidiary	**(167)**	—	**(13,107)**	—
Adjusted EBITDA	**258,328**	244,562	**1,018,762**	954,591

16. ADDITIONAL INFORMATION

This MD&A was prepared on November 2, 2016. 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.

Louis Audet
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, November 2, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Inc.

We have audited the accompanying consolidated financial statements of Cogeco Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and August 31, 2015, and the consolidated statements of profit or loss, consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2016 and August 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cogeco Inc. as at August 31, 2016 and August 31, 2015, and its financial performance and its cash flows for the years ended August 31, 2016 and August 31, 2015 in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

November 2, 2016
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A109522

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31,	Notes	2016	2015
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue		**2,307,403**	2,187,163
Operating expenses	*7*	**1,288,641**	1,232,572
Integration, restructuring and acquisition costs	*4*	**8,802**	13,950
Claims and litigations	*4*	**10,791**	(27,431)
Depreciation and amortization	*8*	**502,170**	472,615
Impairment of goodwill and intangible assets	*9*	**450,000**	—
Financial expense	*10*	**142,482**	148,892
Gain on disposal of a subsidiary	*6*	**(13,107)**	—
Income taxes	*11*	**76,329**	81,350
Profit (loss) for the year		**(158,705)**	265,215
Profit (loss) for the year attributable to:			
Owners of the Corporation		**(29,351)**	89,627
Non-controlling interest		**(129,354)**	175,588
		(158,705)	265,215
Earnings (loss) per share			
Basic	*12*	**(1.75)**	5.35
Diluted	*12*	**(1.75)**	5.32

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended August 31,	Note	2016	2015
(In thousands of Canadian dollars)		**$**	$
Profit (loss) for the year		**(158,705)**	265,215
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		**(49,999)**	43,702
Net change in fair value of hedging derivative financial instruments reclassified to financial expense		**48,108**	(43,396)
Related income taxes		**440**	(272)
		(1,451)	34
Foreign currency translation adjustments			
Net foreign currency translation differences on net investments in foreign operations		**957**	150,274
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations		**2,664**	(94,813)
Related income taxes		**(1,363)**	—
		2,258	55,461
		807	55,495
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability	*21*	**(11,484)**	(1,085)
Related income taxes		**3,090**	291
		(8,394)	(794)
Other comprehensive income (loss) for the year		**(7,587)**	54,701
Comprehensive income (loss) for the year		**(166,292)**	319,916
Comprehensive income (loss) for the year attributable to:			
Owners of the Corporation		**(34,473)**	106,450
Non-controlling interest		**(131,819)**	213,466
		(166,292)	319,916

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity attributable to the owners of the Corporation					
Years ended August 31, 2016 and 2015	Share capital	Share-based payment reserve	Accumulated other comprehensive income	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 18)		*(Note 19)*			
Balance at August 31, 2014	117,963	5,858	9,131	381,013	1,025,123	1,539,088
Profit for the year	—	—	—	89,627	175,588	265,215
Other comprehensive income (loss) for the year	—	—	17,708	(885)	37,878	54,701
Comprehensive income for the year	—	—	17,708	88,742	213,466	319,916
Share-based payment	—	3,584	—	—	4,505	8,089
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	—	(446)	—	—	6,042	5,596
Dividends on multiple voting shares (Note 18 C))	—	—	—	(1,880)	—	(1,880)
Dividends on subordinate voting shares (Note 18 C))	—	—	—	(15,190)	(46,478)	(61,668)
Effect of changes in ownership of a subsidiary on non-controlling interest	—	—	—	356	(356)	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(1,998)	—	—	—	—	(1,998)
Distribution to employees of subordinate voting shares held in trust under the Incentive Share Unit Plan	1,207	(1,265)	—	58	—	—
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	—	—	—	(6,425)	(6,425)
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	—	(1,263)	—	20	1,243	—
Total contributions by (distributions to) shareholders	(791)	610	—	(16,636)	(41,469)	(58,286)
Balance at August 31, 2015	**117,172**	**6,468**	**26,839**	**453,119**	**1,197,120**	**1,800,718**
Loss for the year	**—**	**—**	**—**	**(29,351)**	**(129,354)**	**(158,705)**
Other comprehensive income (loss) for the year	**—**	**—**	**270**	**(5,392)**	**(2,465)**	**(7,587)**
Comprehensive income (loss) for the year	**—**	**—**	**270**	**(34,743)**	**(131,819)**	**(166,292)**
Share-based payment	**—**	**3,805**	**—**	**—**	**4,219**	**8,024**
Issuance of subordinate voting shares by a subsidiary to non-controlling interest	**—**	**(401)**	**—**	**—**	**5,683**	**5,282**
Dividends on multiple voting shares (Note 18 C))	**—**	**—**	**—**	**(2,175)**	**—**	**(2,175)**
Dividends on subordinate voting shares (Note 18 C))	**—**	**—**	**—**	**(17,568)**	**(52,020)**	**(69,588)**
Effect of changes in ownership of a subsidiary on non-controlling interest	**—**	**—**	**—**	**21**	**(21)**	**—**
Purchase and cancellation of subordinate voting shares	**(161)**	**—**	**—**	**(855)**	**—**	**(1,016)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(2,109)**	**—**	**—**	**—**	**—**	**(2,109)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**1,587**	**(1,210)**	**—**	**(377)**	**—**	**—**
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**—**	**—**	**—**	**(4,575)**	**(4,575)**
Distribution by a subsidiary to non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**—**	**(1,313)**	**—**	**(240)**	**1,553**	**—**
Total contributions by (distributions to) shareholders	**(683)**	**881**	**—**	**(21,194)**	**(45,161)**	**(66,157)**
Balance at August 31, 2016	**116,489**	**7,349**	**27,109**	**397,182**	**1,020,140**	**1,568,269**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31,	Notes	2016	2015
(In thousands of Canadian dollars)		**$**	$
			(restated, Note 5)
Assets			
Current			
Cash and cash equivalents	*20 B)*	**68,344**	164,189
Trade and other receivables	*22 A)*	**142,542**	149,355
Income taxes receivable		**12,707**	10,753
Prepaid expenses and other		**17,125**	18,016
Derivative financial instruments		**1,040**	49,834
		241,758	392,147
Non-current			
Other assets	*13*	**8,280**	24,084
Property, plant and equipment	*14*	**2,004,247**	2,005,461
Intangible assets	*15 A)*	**2,139,466**	2,221,577
Goodwill	*15 B)*	**1,079,365**	1,536,925
Deferred tax assets	*11*	**26,497**	25,601
		5,499,613	6,205,795
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness	*17 a) d)*	**4,115**	—
Trade and other payables		**312,914**	313,631
Provisions	*16*	**31,078**	24,445
Income tax liabilities		**28,910**	54,826
Deferred and prepaid revenue		**61,707**	63,499
Current portion of long-term debt	*17*	**22,527**	297,657
		461,251	754,058
Non-current			
Long-term debt	*17*	**2,922,078**	3,081,092
Derivative financial instruments		**165**	—
Deferred and prepaid revenue and other liabilities		**30,120**	30,611
Pension plan liabilities and accrued employee benefits	*21*	**16,912**	11,105
Deferred tax liabilities	*11*	**500,818**	528,211
		3,931,344	4,405,077
Shareholders' equity			
Equity attributable to the owners of the Corporation			
Share capital	*18 B)*	**116,489**	117,172
Share-based payment reserve		**7,349**	6,468
Accumulated other comprehensive income	*19*	**27,109**	26,839
Retained earnings		**397,182**	453,119
		548,129	603,598
Equity attributable to non-controlling interest		**1,020,140**	1,197,120
		1,568,269	1,800,718
		5,499,613	6,205,795

Commitments, contingencies and guarantees (Note 24)

On behalf of the Board of Directors,

Jan Peeters
Director

Pierre L. Comtois
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,	Notes	2016	2015
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit (loss) for the year		**(158,705)**	265,215
Adjustments for:			
Depreciation and amortization	*8*	**502,170**	472,615
Impairment of goodwill and intangible assets	*9*	**450,000**	—
Financial expense	*10*	**142,482**	148,892
Income taxes	*11*	**76,329**	81,350
Share-based payment	*18 D)*	**8,589**	8,402
Loss on disposals and write-offs of property, plant and equipment		**954**	1,848
Gain on disposal of a subsidiary	*6*	**(13,107)**	—
Defined benefit plans contributions, net of expense		**(6,404)**	(7,854)
		1,002,308	970,468
Changes in non-cash operating activities	*20 A)*	**24,534**	(63,402)
Financial expense paid		**(139,238)**	(136,587)
Income taxes paid		**(128,574)**	(76,179)
		759,030	694,300
Cash flow from investing activities			
Acquisition of property, plant and equipment	*14*	**(447,158)**	(426,405)
Acquisition of intangible and other assets		**(23,199)**	(16,270)
Business combination, net of cash and cash equivalents acquired	*5*	**—**	(263,240)
Disposal of a subsidiary, net of cash and cash equivalents disposed	*6*	**47,431**	—
Other		**2,800**	793
		(420,126)	(705,122)
Cash flow from financing activities			
Increase (decrease) in bank indebtedness		**4,115**	(3,228)
Net increases (repayments) under the revolving facilities		**(122,725)**	85,071
Issuance of long-term debt, net of discounts and transaction costs		**—**	128,634
Repayments of long-term debt		**(240,657)**	(35,711)
Transaction costs on long-term debt conversion and increase in deferred transaction costs		**(1,227)**	(550)
Repayment of balance due on a business combination		**—**	(2,000)
Purchase and cancellation of subordinate voting shares		**(1,016)**	—
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*18 B)*	**(2,109)**	(1,998)
Dividends paid on multiple voting shares	*18 C)*	**(2,175)**	(1,880)
Dividends paid on subordinate voting shares	*18 C)*	**(17,568)**	(15,190)
Issuance of subordinate voting shares by a subsidiary to non-controlling interest		**5,282**	5,596
Acquisition by a subsidiary from non-controlling interest of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans		**(4,575)**	(6,425)
Dividends paid on subordinate voting shares by a subsidiary to non-controlling interest		**(52,020)**	(46,478)
		(434,675)	105,841
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(74)**	5,339
Net change in cash and cash equivalents		**(95,845)**	100,358
Cash and cash equivalents, beginning of the year		**164,189**	63,831
Cash and cash equivalents, end of the year		**68,344**	164,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended August 31, 2016 and 2015

NATURE OF OPERATIONS

Cogeco Inc. ("Cogeco" or the "Corporation" or the "Parent Corporation") is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CGO". Cogeco is a diversified holding corporation which operates in the communications and media sectors.

Through its Cogeco Communications Inc. ("Cogeco Communications") subsidiary, the Corporation provides its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Communications operates in Canada as Cogeco Cable Canada GP Inc. ("Cogeco Connexion") in Québec and Ontario, and in the United States as Atlantic Broadband LLC ("Atlantic Broadband") in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1 Inc. ("Cogeco Peer 1"), Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud services and managed services), through its 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

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

The Corporation also operated Métromédia CMR Plus Inc. ("Métromédia"), an out-of-home advertising company specialized in the public transit sector, until it was sold on January 5, 2016 (see Note 6).

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 November 2, 2016.

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. Operating segments and percentage of interest in the principal subsidiaries at August 31, 2016 are as follows:

Operating segment	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Communications	Cogeco Communications Inc.	31.8	82.3
Other	Cogeco Media Acquisitions Inc.	100	100

The consolidated financial statements also include the accounts of Métromédia CMR Plus Inc. until January 5, 2016, which the Corporation owned 100% of the equity interest and voting rights and are presented in the Other operating segment.

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 retroactive 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 at the fair value of the consideration received or receivable, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when the following conditions are met:

- The amount of revenue and related costs can be measured reliably;
- The significant risks and rewards of ownership have been transferred to customers and there is no continuing management involvement to the degree usually associated with the ownership nor effective control over the goods; and
- The recovery of the consideration is probable.

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

- Monthly subscription revenue for video, Internet and telephony services and rental of equipment are recognized as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services are recognized as the services are provided;
- Revenue from colocation, network connectivity, hosting, cloud and managed services are recognized as the services are provided;
- Revenue generated from the sale of home terminal devices or other equipment are recognized when the customer accepts the delivery of the equipment; and
- Revenue generated from the sale of advertising airtime and advertising display are recognized when the advertisement has been aired or displayed.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation evaluates each deliverable arrangement to determine if it would represent a separate component. Components are accounted separately when:

- The delivered elements have stand-alone value to the customer; and
- There is an objective and a reliable evidence of fair value of any undelivered elements.

Consideration is measured and allocated between the components based upon their relative fair values while applying the relevant revenue recognition policy.

The Corporation considers that installation and activation fees are not separate components because they have no stand-alone value. Accordingly, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned, which is the average life of a customer's subscription for residential customers or the term of the agreement for Business ICT service customers.

Unearned revenue, such as payments for goods and services received in advance of delivery, are recorded as deferred and prepaid revenue until the service is provided or the product is delivered to the customer.

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 accumulated 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)	5 to 20 years
Home terminal devices	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 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;
- Favorable leases are amortized on a straight-line basis over the remaining non-cancelable term of the lease agreement;
- Reconnect and additional service activation costs are capitalized up to a maximum amount not exceeding the revenue generated by the reconnect activity and are amortized over the average life of a customer's subscription, not exceeding four years; and
- Direct and incremental costs associated with the acquisition of Business ICT service customers are capitalized and amortized over the term of the revenue arrangement.

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 proven 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 home terminal devices, 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. At the end of each reporting period, the Corporation revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in share-based payment reserve. 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, 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

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 Parent 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:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an open market. Cash and cash equivalents and trade and other receivables are classified as loans and receivables. They are 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 and long-term debt are classified as other liabilities. They are 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 cross-currency swaps and foreign currency forward contracts as derivative financial instruments to manage foreign exchange risk related to its foreign denominated Senior Secured Notes Series A and forecasted purchase commitments of property, plant and equipment. In addition, 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 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. 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

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. 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.

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. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are assessed on an aggregate basis for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account presented in reduction of receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of 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 the PSU Plans. Diluted earnings per share is determined by 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**

  Allowance for doubtful accounts is established based on specific credit risk of the Corporation's customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. As a result, conditions causing fluctuations in the aging of customer accounts will directly impact the reported amount of bad debt expenses (see Note 22 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 and intangible assets 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 5);

- **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 asset expected useful lives and residual values. Management's judgment is also required to determine the components and the depreciation method used (see Note 8);

- **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 16);

- **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;

- **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 21);

- **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 15); 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. Judgment is also required in determining the tax basis of indefinite life intangible assets and the resulting tax rate used to measure deferred taxes (see Note 11).

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. 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, 2016, 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:

	Effective for annual periods starting on or after	
IFRS 9 *Financial Instruments*	January 1, 2018	Early adoption permitted
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018	Early adoption permitted
IFRS 16 *Leases*	January 1, 2019	Early adoption permitted

IFRS 9 replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

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 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 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 Customer*s and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. 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. IFRS 16 supersedes the current standard IAS 17 *Leases.* The accounting treatment for lessors will remain largely the same as under IAS 17. Early adoption is permitted, but only if the entity is also applying IFRS 15.

The Corporation is in the process of determining the extent of the impact of these changes on its consolidated financial statements.

4. OPERATING SEGMENTS

The Corporation's segment profit (loss) for the year are 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 its Cogeco Communications subsidiary, its residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Cogeco Communications operates in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name in western Pennsylvania, south Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Through its subsidiary, Cogeco Peer 1, Cogeco Communications provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud and a rich portfolio of managed services), through 17 data centres, extensive FastFiber Network® and more than 50 points of presence in North America and Europe.

The Other segment is comprised of radio, out of home advertising, head office activities as well as inter-segment eliminations.Through its subsidiary, Cogeco Media, the Corporation owns and operates radio stations across most of Québec with complementary radio formats serving a wide range of audiences. Cogeco Media also operates Cogeco News, one of Québec's largest news agencies, feeding affiliates, independent and community radio stations. Through its subsidiary, Métromédia, Cogeco operated an out-of-home advertising company specialized in the public transit sector, until it was sold on January 5, 2016.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on the segment's profit (loss), 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,	**2016**	2015	**2016**	2015	**2016**	2015
(*in thousands of Canadian dollars*)	**$**	$	**$**	$	**$**	$
		(restated, Note 5)				*(restated, Note 5)*
Revenue	**2,176,149**	2,043,316	**131,254**	143,847	**2,307,403**	2,187,163
Operating expenses	**1,174,232**	1,102,960	**114,409**	129,612	**1,288,641**	1,232,572
Management fees – Cogeco Inc.	**18,468**	9,877	**(18,468)**	(9,877)	**—**	—
Segment profit	**983,449**	930,479	**35,313**	24,112	**1,018,762**	954,591
Integration, restructuring and acquisition costs (1)	**8,802**	13,950	**—**	—	**8,802**	13,950
Claims and litigations (2)	**10,791**	(27,431)	**—**	—	**10,791**	(27,431)
Depreciation and amortization	**497,963**	466,715	**4,207**	5,900	**502,170**	472,615
Impairment of goodwill and intangible assets	**450,000**	—	**—**	—	**450,000**	—
Financial expense	**136,378**	142,062	**6,104**	6,830	**142,482**	148,892
Gain on disposal of a subsidiary	**—**	—	**(13,107)**	—	**(13,107)**	—
Income taxes	**69,143**	77,433	**7,186**	3,917	**76,329**	81,350
Profit (loss) for the year	**(189,628)**	257,750	**30,923**	7,465	**(158,705)**	265,215
Total assets	**5,337,342**	6,014,038	**162,271**	191,757	**5,499,613**	6,205,795
Property, plant and equipment	**1,989,720**	1,985,421	**14,527**	20,040	**2,004,247**	2,005,461
Intangible assets	**2,059,548**	2,131,483	**79,918**	90,094	**2,139,466**	2,221,577
Goodwill	**1,060,780**	1,497,800	**18,585**	39,125	**1,079,365**	1,536,925
Acquisition of property, plant and equipment	**444,741**	422,950	**2,417**	3,455	**447,158**	426,405
Acquisition of intangible and other assets	**22,769**	16,270	**430**	—	**23,199**	16,270

(1) Comprised of acquisition and integration costs at Atlantic Broadband and restructuring costs at Cogeco Peer 1.

(2) For the year ended August 31, 2016, comprised of costs related to the settlement of claims and costs related to litigations, some of which are currently unresolved. In 2015, the Corporation's subsidiary, Cogeco Communications, concluded an agreement with a supplier to settle a claim that was initiated in a previous year. The settlement amounted to $27.4 million, paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

The following tables set out certain geographic market information:

Year ended August 31, 2016	**Canada**	**United States**	**Europe**	**Total**
(*in thousands of Canadian dollars*)	**$**	**$**	**$**	**$**
Revenue	**1,560,117**	**708,680**	**38,606**	**2,307,403**
Property, plant and equipment	**1,464,877**	**502,357**	**37,013**	**2,004,247**
Intangible assets	**1,131,110**	**1,002,134**	**6,222**	**2,139,466**
Goodwill	**240,452**	**824,074**	**14,839**	**1,079,365**

Year ended August 31, 2015	Canada	United States	Europe	Total
(in thousands of Canadian dollars)	$	$	$	$
		(restated, Note 5)		*(restated, Note 5)*
Revenue	1,563,431	583,350	40,382	2,187,163
Property, plant and equipment	1,449,557	504,073	51,831	2,005,461
Intangible assets	1,152,048	1,059,528	10,001	2,221,577
Goodwill	372,835	1,106,494	57,596	1,536,925

5. BUSINESS COMBINATION

BUSINESS COMBINATION IN FISCAL 2015

On August 20, 2015, Atlantic Broadband, a wholly-owned subsidiary of Cogeco Communications, completed the acquisition of substantially all of the net assets of MetroCast Communications of Connecticut, LLC (the "Connecticut system"), which served 27,256 video, 22,673 Internet and 7,817 telephony customers at August 31, 2015. The transaction, valued at US$200 million, excluding a post-closing net working capital adjustment of US$1.3 million, was financed through a combination of cash on hand, a draw-down on the existing Revolving Facility of US$90 million and US$100 million of borrowings under a new Term Loan A-2 Facility issued under the First Lien Credit Facilities. This acquisition enhances Cogeco Communications' footprint in the American market and provides for further growth potential.

During the first three months of fiscal 2016, Cogeco Communications finalized the purchase price allocation of the Connecticut system. The final purchase price allocation is as follows:

	Preliminary August 31, 2015	**Final November 30, 2015**
(In thousands of Canadian dollars)	$	**$**
Consideration paid		
Purchase price	261,600	**261,600**
Working capital adjustments	1,640	**1,640**
	263,240	**263,240**
Net assets acquired		
Trade and other receivables	616	**616**
Prepaid expenses and other	1,696	**1,696**
Property, plant and equipment	51,368	**51,368**
Intangible assets	108,564	**115,104**
Goodwill	101,685	**95,145**
Trade and other payables assumed	(689)	**(689)**
	263,240	**263,240**

The amount of goodwill, which is deductible for tax purposes, is mainly attributable to revenue and adjusted EBITDA growth considering sizeable residential and business growth opportunities, to the tax benefit of amortizing goodwill and intangible assets in an asset purchase, to the expected benefits from the corporate tax structure and to the strength of the Connecticut system's assembled workforce.

In connection with the acquisition, the Corporation incurred acquisition-related costs of $2.2 million of which $0.6 million was recognized in the current year, as "Integration, restructuring and acquisition costs" in the Corporation's consolidated statement of profit or loss.

The finalization of the purchase price allocation had no significant impact on the consolidated statement of comprehensive income for the year ended August 31, 2015, while the impact on the consolidated statement of financial position at August 31, 2015 is as follows:

	As previously reported	Adjustments	As currently reported
	$	$	$
Intangible assets	2,214,998	6,579	2,221,577
Goodwill	1,543,504	(6,579)	1,536,925

6. DISPOSAL OF A SUBSIDIARY

On January 5, 2016, the Corporation's subsidiary, Cogeco Media, completed the sale of its subsidiary Métromédia, an out-of-home advertising company, for a cash consideration of $47.5 million, which was subject to a post-closing net working capital adjustment. The post-closing net working capital adjustment was concluded during the year and amounted to $0.2 million, bringing the final cash consideration to $47.7 million. The selling price has been reduced by selling fees of approximately $0.5 million. The carrying value of the net assets disposed was $34.1 million resulting in a pre-tax gain of $13.1 million recorded in the consolidated statements of profit or loss.

The carrying values of assets and liabilities disposed of were as follows:

(In thousands of Canadian dollars)	**$**
Cash and cash equivalents	**272**
Trade and other receivables	**6,113**
Prepaid expenses and other	**331**
Other assets	**930**
Property, plant and equipment	**4,153**
Intangible assets	**9,735**
Goodwill	**20,540**
Trade and other payables	**(3,862)**
Income tax liabilities	**(29)**
Deferred and prepaid revenue	**(1,524)**
Other liabilities	**(100)**
Deferred tax liabilities	**(2,416)**
	34,143

7. OPERATING EXPENSES

Years ended August 31,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Salaries, employee benefits and outsourced services	**427,107**	422,374
Service delivery costs (1)	**665,018**	619,897
Customer related costs (2)	**75,052**	72,417
Other external purchases (3)	**121,464**	117,884
	1,288,641	1,232,572

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

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

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission (“CRTC”) fees and other administrative expenses.

8. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Depreciation of property, plant and equipment	**432,488**	407,676
Amortization of intangible assets	**69,682**	64,939
	502,170	472,615

9. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The Corporation's subsidiary, Cogeco Communications, recognized a non-cash pre-tax impairment loss of $450 million at May 31, 2016 resulting from changing industry dynamics and related valuations, and lower expectations for future revenue, profitability and cash flow growth.

As part of a process initiated in fiscal 2015, Cogeco Communications performed a thorough review of its Business ICT services segment operations, organizational structure and portfolio of products and services. The review resulted in several initiatives primarily focused on profitable sales generation, the streamlining of the product offering, the simplification of operational processes and the announcement, on May 5, 2015, of the combination of its two business units Cogeco Data Services and Peer 1 Hosting to form Cogeco Peer 1. The teams formerly managing both companies have since then been combined and several executive positions have either been replaced or filled during the ensuing period, with the remaining executive positions filled during the third quarter of fiscal 2016.

Despite continuous efforts to align Cogeco Peer 1's sales structure on its streamlined product offering, the sales performance has not achieved expected growth. Sales of hosting services, which are Cogeco Peer 1's main product sold in the United States and Europe, have been substantially lower than expected due to a combination of an accelerated transition out of unprofitable services, slower than planned ramp-up of the sales team, and increased competition in the market from large cloud-based offerings, which now compete with most traditional hosting providers. In addition, the fair market value and trading multiples for hosting businesses have decreased significantly over the last year due to the entry in the market of these cloud-based offerings. Cogeco Peer 1 is continuing to adapt to the significant capacity and price pressure originating from cloud providers, by continuing to focus on mid-sized customers which require value-added services. Cogeco Peer 1's customer data is primarily hosted on its own infrastructure and to a lower extent on external cloud providers under reseller agreements.

In Canada, the sales of colocation services, which typically cater to larger customers, have also been slower than planned. As for connectivity services, ongoing pricing pressures are typically offset by volume growth. Additional net growth in network connectivity is expected to result from growing the number of customers per connected building and from maximizing sales on the existing network.

Although management is confident that it now has in place the management team and the operating structure to succeed, the current situation is expected to persist past fiscal 2016. Consequently, management has reviewed downwards its future financial projections, resulting in a decrease in the value of Cogeco Communications' investment in Cogeco Peer 1. As a result, Cogeco Communications tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment at May 31, 2016.

Based on lower expectations for future revenue, profitability and cash flow growth, Cogeco Communications recorded a non-cash impairment loss of $428.5 million on goodwill during the third quarter of fiscal 2016.

Long-lived assets, such as property, plant and equipment and intangible assets with finite useful lives were tested for impairment by comparing the carrying value of the asset or group of assets to the corresponding recoverable amount of the asset or group of assets, in order to determine the extent of the impairment loss, if any. Accordingly, Cogeco Communications completed its impairment testing on the long-lived assets and concluded that the carrying value of the customer relationships exceeded their recoverable amount, calculated as the discounted future cash flows expected to be generated from the asset. As a result, a non-cash impairment loss of $21.5 million was recognized during the third quarter of fiscal 2016 regarding the customer relationships.

The impairment of goodwill and intangible assets that affected the Corporation's financial results for the year ended August 31, 2016 is as follows:

	$
Impairment of goodwill (1)	**428,500**
Impairment of intangible assets (2)	**21,500**
Impairment of goodwill and intangible assets	**450,000**
Income taxes	**(16,048)**
Impairment of goodwill and intangible assets net of income taxes	**433,952**

(1) Impairment of goodwill by geographic market includes $111.8 million in Canada, $278.9 million in the United States and $37.8 million in Europe.

(2) Intangible assets were impaired only in the United States.

10. FINANCIAL EXPENSE

Years ended August 31,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Interest on long-term debt	**137,469**	137,879
Net foreign exchange losses (gains)	**(266)**	528
Amortization of deferred transaction costs	**2,507**	2,407
Capitalized borrowing costs (1)	**(1,877)**	(468)
Other	**4,649**	8,546
	142,482	148,892

(1) For the years ended August 31, 2016 and 2015, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

11. INCOME TAXES

Years ended August 31,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Current	**100,680**	96,879
Deferred	**(24,351)**	(15,529)
	76,329	81,350

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,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Profit (loss) before income taxes	**(82,376)**	346,565
Combined Canadian income tax rate	**26.73%**	26.59%
Income taxes at combined Canadian income tax rate	**(22,019)**	92,152
Adjustment for losses or profit subject to lower or higher tax rates	**6,989**	5,677
Increase in net deferred tax liabilities as a result of an increase in substantively enacted tax rate	**1,226**	—
Revaluation of deferred tax assets	**7,651**	—
Impact on income taxes arising from non-deductible expenses (1)	**108,427**	3,241
Non-taxable portion of capital gain	**(1,822)**	—
Tax impacts related to foreign operations	**(21,346)**	(18,287)
Other	**(2,777)**	(1,433)
Income taxes at effective income tax rate	**76,329**	81,350

(1) Comprised of $107.2 million of non-deductible impairment of goodwill and intangible assets

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,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
Property, plant and equipment	**(174,348)**	(170,051)
Intangible assets and goodwill	**(461,777)**	(471,700)
Deferred and prepaid revenue	**10,973**	9,683
Partnerships income	**—**	(20,710)
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**151,568**	150,557
Other	**(737)**	(389)
Net deferred tax liabilities	**(474,321)**	(502,610)

Financial statement presentation:		
Deferred tax assets	**26,497**	25,601
Deferred tax liabilities	**(500,818)**	(528,211)
Net deferred tax liabilities	**(474,321)**	(502,610)

The movements in deferred tax asset and liability balances during fiscal 2016 and 2015 were as follows:

Year ended August 31, 2016	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Disposed through sale of a subsidiary**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment	**(170,051)**	**(3,458)**	**—**	**(193)**	**(646)**	**(174,348)**
Intangible assets and goodwill	**(471,700)**	**5,902**	**—**	**2,616**	**1,405**	**(461,777)**
Deferred and prepaid revenue	**9,683**	**1,311**	**—**	**—**	**(21)**	**10,973**
Partnerships income	**(20,710)**	**20,710**	**—**	**—**	**—**	**—**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**150,557**	**2,211**	**—**	**—**	**(1,200)**	**151,568**
Other	**(389)**	**(2,325)**	**2,167**	**(7)**	**(183)**	**(737)**
	(502,610)	**24,351**	**2,167**	**2,416**	**(645)**	**(474,321)**

Year ended August 31, 2015	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$
Property, plant and equipment	(152,130)	(1,881)	—	(16,040)	(170,051)
Intangible assets and goodwill	(414,918)	(5,705)	—	(51,077)	(471,700)
Deferred and prepaid revenue	6,482	2,553	—	648	9,683
Partnerships income	(37,077)	16,367	—	—	(20,710)
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	121,234	7,402	—	21,921	150,557
Other	2,124	(3,207)	19	675	(389)
	(474,285)	15,529	19	(43,873)	(502,610)

At August 31, 2016, 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. These losses expire as follows:

	2024	2025	2026	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Canada	—	—	—	**83,286**	**83,286**
United States	**8,361**	**53,341**	**72,381**	**198,796**	**332,879**
United Kingdom (1)	—	—	—	**24,604**	**24,604**
	8,361	**53,341**	**72,381**	**306,686**	**440,769**

(1) Net tax losses in United Kingdom can be carried forward indefinitely to offset against profit of the same enterprise. The benefit of these tax losses have not been recognized in these financial statements.

The Corporation and its subsidiaries also had accumulated capital losses amounting to $508 million which can be carried forward indefinitely against capital gains, and $210 million of deductible temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

12. EARNINGS (LOSS) PER SHARE

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

Years ended August 31	**2016**	2015
(In thousands of Canadian dollars, except number of shares and per share data)	**$**	$
Profit (loss) for the year attributable to owners of the Corporation	**(29,351)**	89,627
Weighted average number of multiple and subordinate voting shares outstanding	**16,728,185**	16,737,173
Effect of dilutive incentive share units [(1)]	—	79,893
Effect of dilutive performance share units [(1)]	—	15,763
Weighted average number of diluted multiple and subordinate voting shares outstanding	**16,728,185**	16,832,829
Earnings (loss) per share		
Basic	**(1.75)**	5.35
Diluted	**(1.75)**	5.32

(1) The weighted average dilutive potential of subordinate voting shares which amounted to 102,601 for the year ended August 31, 2016, is anti-dilutive due to the loss incurred for the year.

13. OTHER ASSETS

At August 31,	**2016**	2015
(In thousands of Canadian dollars)	$	$
Transaction costs	**5,493**	7,520
Amount receivable related to a claim with a supplier [(1)]	—	9,000
Prepayment to a supplier	—	4,049
Other	**2,787**	3,515
	8,280	24,084

(1) In the form of credit notes applicable to future purchases of property, plant and equipment.

14. PROPERTY, PLANT AND EQUIPMENT

During fiscal 2016 and 2015, property, plant and equipment variations were as follows:

Years ended August 31, 2016 and 2015	Land, buildings and leasehold improvements	Networks and infrastructure (1)	Data centre equipment (2)	Home terminal devices	Rolling stock and equipment (3)	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2014	204,595	2,545,983	214,034	484,499	287,333	3,736,444
Acquisitions through a business combination	1,334	47,419	—	1,422	1,193	51,368
Other additions	36,029	202,160	48,503	93,893	45,820	426,405
Disposals and write-offs	(143)	(1,687)	(8,026)	(38,098)	(5,694)	(53,648)
Foreign currency translation adjustments	8,561	80,463	18,009	14,128	12,946	134,107
Balance at August 31, 2015	**250,376**	**2,874,338**	**272,520**	**555,844**	**341,598**	**4,294,676**
Other additions	**3,565**	**212,784**	**71,049**	**89,297**	**70,463**	**447,158**
Disposals and write-offs	**(406)**	**(7,527)**	**(3,162)**	**(37,181)**	**(15,133)**	**(63,409)**
Disposals through the sale of a subsidiary	—	—	—	—	**(8,028)**	**(8,028)**
Foreign currency translation adjustments	**(6,076)**	**(3,380)**	**(5,388)**	**(495)**	**(2,297)**	**(17,636)**
Balance at August 31, 2016	**247,459**	**3,076,215**	**335,019**	**607,465**	**386,603**	**4,652,761**
Accumulated depreciation and impairment losses						
Balance at August 31, 2014	47,968	1,212,963	72,121	379,814	171,308	1,884,174
Depreciation expense	15,140	234,662	44,313	64,375	49,186	407,676
Disposals and write-offs	(12)	(859)	(7,381)	(36,688)	(5,566)	(50,506)
Foreign currency translation adjustments	1,646	25,782	9,363	6,099	4,981	47,871
Balance at August 31, 2015	**64,742**	**1,472,548**	**118,416**	**413,600**	**219,909**	**2,289,215**
Depreciation expense	**17,452**	**255,337**	**26,264**	**70,623**	**62,812**	**432,488**
Disposals and write-offs	**(367)**	**(5,133)**	**(3,029)**	**(36,170)**	**(15,112)**	**(59,811)**
Disposals through the sale of a subsidiary	—	—	—	—	**(3,875)**	**(3,875)**
Foreign currency translation adjustments	**(1,712)**	**(2,020)**	**(3,932)**	**(230)**	**(1,609)**	**(9,503)**
Balance at August 31, 2016	**80,115**	**1,720,732**	**137,719**	**447,823**	**262,125**	**2,648,514**
Carrying amounts						
At August 31, 2015	185,634	1,401,790	154,104	142,244	121,689	2,005,461
At August 31, 2016	**167,344**	**1,355,483**	**197,300**	**159,642**	**124,478**	**2,004,247**

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

(2) Data centre 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.

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

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2016 and 2015, intangible assets variations were as follows:

	Finite useful life		Indefinite useful life			
Years ended August 31, 2016 and 2015	Customer relationships (1)	Other (2)	Cable Distribution Licenses	Broadcasting licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(restated, Note 5)		*(restated, Note 5)*			
Cost						
Balance at August 31, 2014	371,274	60,094	1,586,760	79,918	25,934	2,123,980
Acquisition through a business combination	20,928	—	94,176	—	—	115,104
Other additions	—	16,498	—	—	—	16,498
Fully amortized	—	(9,991)	—	—	—	(9,991)
Foreign currency translation adjustments	50,518	1,752	130,743	—	—	183,013
Balance at August 31, 2015	**442,720**	**68,353**	**1,811,679**	**79,918**	**25,934**	**2,428,604**
Other additions	**—**	**22,960**	**—**	**—**	—	**22,960**
Fully amortized	**—**	**(12,249)**	**—**	**—**	—	**(12,249)**
Disposals through the sale of a subsidiary	**(14,747)**	**—**	**—**	**—**	—	**(14,747)**
Foreign currency translation adjustments	**(3,328)**	**(445)**	**(2,632)**	**—**	—	**(6,405)**
Balance at August 31, 2016	**424,645**	**78,619**	**1,809,047**	**79,918**	**25,934**	**2,418,163**
Accumulated amortization and impairment losses						
Balance at August 31, 2014	109,881	27,912	—	—	—	137,793
Amortization expense	48,866	16,073	—	—	—	64,939
Fully amortized	—	(9,991)	—	—	—	(9,991)
Foreign currency translation adjustments	13,788	498	—	—	—	14,286
Balance at August 31, 2015	**172,535**	**34,492**	**—**	**—**	**—**	**207,027**
Amortization expense	**52,459**	**17,223**	**—**	**—**	—	**69,682**
Impairment (Note 9)	**21,500**	**—**	**—**	**—**	—	**21,500**
Fully amortized	**—**	**(12,249)**	**—**	**—**	—	**(12,249)**
Disposals through the sale of a subsidiary	**(5,012)**	**—**	**—**	**—**	—	**(5,012)**
Foreign currency translation adjustments	**(2,027)**	**(224)**	**—**	**—**	—	**(2,251)**
Balance at August 31, 2016	**239,455**	**39,242**	**—**	**—**	**—**	**278,697**
Carrying amounts						
At August 31, 2015	270,185	33,861	1,811,679	79,918	25,934	2,221,577
At August 31, 2016	**185,190**	**39,377**	**1,809,047**	**79,918**	**25,934**	**2,139,466**

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

(2) Includes reconnect and additional service activation costs in the Broadband services, direct and incremental costs associated with the acquisition of Business ICT services' customers and favorable leases.

B) GOODWILL

During fiscal 2016 and 2015, goodwill variations were as follows:

Years ended August 31, 2016 and 2015 *(In thousands of Canadian dollars)*	$
	(restated, Note 5)
Cost	
Balance at August 31, 2014	1,259,654
Acquisitions through a business combination	95,145
Foreign currency translation adjustments	182,126
Balance at August 31, 2015	**1,536,925**
Disposal through the sale of a subsidiary	**(20,540)**
Foreign currency translation adjustments	**(11,910)**
Balance at August 31, 2016	**1,504,475**
Accumulated impairment losses	
Balance at August 31, 2015	—
Impairment (Note 9)	**428,500**
Foreign currency translation adjustment	**(3,390)**
Balance at August 31, 2016	**425,110**
Carrying amounts	
At August 31, 2015	1,536,925
At August 31, 2016	**1,079,365**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment once per year, 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,				**2016**				2015
Operating segment / CGU	**Goodwill**	**Cable Distribution Licenses**	**Trade name**	**Broadcasting Licenses**	Goodwill	Cable Distribution Licenses	Trade name	Broadcasting Licenses
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	$	$	$	$
					(restated, Note 5)	*(restated, Note 5)*		
Communications								
Canadian broadband services	**4,662**				4,662			
Ontario		**857,696**	**—**	**—**		857,696	—	—
Québec		**109,304**	**—**	**—**		109,304	—	—
American broadband services	**784,680**				787,133			
Southern Florida		**245,269**	**—**	**—**		246,036	—	—
South Carolina		**40,660**	**—**	**—**		40,787	—	—
Western Pennsylvania		**407,908**	**—**	**—**		409,182	—	—
Maryland/Delaware		**53,776**	**—**	**—**		53,943	—	—
Eastern Connecticut		**94,434**	**—**	**—**		94,731	—	—
Business ICT services	**271,438**	**—**	**25,934**	**—**	706,005	—	25,934	—
Other	**18,585**				39,125			
Radio Broadcasting		**—**	**—**	**79,918**		—	—	79,918
Total	**1,079,365**	**1,809,047**	**25,934**	**79,918**	1,536,925	1,811,679	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 May 31, 2016 the Corporation's subsidiary, Cogeco Communications tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment, following the identification of impairment indicators. In accordance with accounting standards, goodwill and intangible assets with indefinite useful lives were tested for impairment at the CGU level, which is the Business ICT services segment. As a result, an impairment loss was recognized on goodwill (see Note 9).

At August 31, 2016 the Corporation's subsidiary, Cogeco Communications performed impairment tests for both its Canadian and American broadband services CGUs while the Corporation performed its annual test for its Other segment CGU. The recoverable amount of each CGU was determined to be higher than its carrying amount and no impairment loss has been recognized at August 31, 2016.

The 2014 calculation of the recoverable amount of the Canadian broadband services CGU and the 2015 recoverable amount calculation of the Other segment CGU, which represent the most recent detailed calculation made in a preceding year, were used in the impairment tests of those units at August 31, 2016.

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:

	2016		2015	
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segment	**%**	**%**	%	%
Communications	**10.5 to 11.6**	**2.0 to 3.2**	10.5 to 13.0	2.0 to 3.2
Other	**12.3**	**1.2**	12.3	1.2

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU at August 31, 2016 :

Operating segment	**Increase in pre-tax discount rate** %	**Decrease in terminal growth rate** %
Communications	**2.5 to 5.5**	**3.9 to 12.0**
Other	**5.8**	**6.4**

16. PROVISIONS

During fiscal 2016, provisions variations were as follows:

Year ended August 31, 2016	Withholding and stamp taxes	Programming and content costs	Restructuring costs	Claims and litigations	Other	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Balance, beginning of the year	**7,040**	**4,647**	**1,377**	**—**	**11,381**	**24,445**
Provisions made during the year	**—**	**4,558**	**2,845**	**7,000**	**2,136**	**16,539**
Provisions used during the year	**—**	**(626)**	**(3,861)**	**—**	**(4,732)**	**(9,219)**
Provisions reversed during the year	**—**	**(479)**	**—**	**—**	**(125)**	**(604)**
Foreign currency translation adjustments	**(64)**	**4**	**(21)**	**—**	**(2)**	**(83)**
Balance, end of the year	**6,976**	**8,104**	**340**	**7,000**	**8,658**	**31,078**

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 Portuguese subsidiary by Cogeco Communications. Pursuant to the completion of the sale of the Portuguese subsidiary in 2012, Cogeco Communications remains responsible for these contingent liabilities up to a maximum amount of €5 million under the terms of the sale agreement.

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.

The other provisions include provisions for contractual obligations and other legal obligations.

17. LONG-TERM DEBT

At August 31,	Maturity	Interest rate		2016	2015
(In thousands of Canadian dollars, except percentages)		%		$	$
Parent Corporation					
Term Revolving Facility [a)]					
Revolving loan	February 2021	—	(1)	**—**	14,977
Unsecured Debentures [b)]	November 2021	6.50		**34,784**	34,752
Senior Unsecured Notes [c)]	March 2020	6.00		**49,164**	48,956
Finance lease	January 2017	3.23		**11**	40
Subsidiaries					
Term Revolving Facility [d)]					
Canadian Revolving Facility					
Revolving loan – US$59.5 million (US$70.5 million in 2015)	January 2021	1.97	(1) (2)	**78,040**	92,757
Revolving loan – £23.6 million (£54 million in 2015)	January 2021	1.72	(1)	**40,646**	109,021
UK Revolving Facility – £4.4 million (£4.7 million in 2015)	January 2021	1.70	(1)	**7,578**	9,489
Senior Secured Notes [e)]					
Series A – US$25 million	September 2024	4.14		**32,665**	32,755
Series B - US$150 million	September 2026	4.29		**195,961**	196,515
Senior Secured Notes [f)]					
Series A – US$190 million	October 2015	—		**—**	249,953
Series B	October 2018	7.60		**54,853**	54,789
Senior Secured Notes - US$215 million [g)]	June 2025	4.30		**280,787**	281,559
Senior Secured Debentures Series 2 [h)]	November 2020	5.15		**199,174**	199,002
Senior Secured Debentures Series 3 [i)]	February 2022	4.93		**198,878**	198,703
Senior Secured Debentures Series 4 [j)]	May 2023	4.18		**297,788**	297,510
Senior Unsecured Debenture [k)]	March 2018	5.94		**99,939**	99,901
Senior Unsecured Notes – US$400 million [l)]	May 2020	4.88		**520,201**	520,759
First Lien Credit Facilities [m)]					
Term Loan A Facility – US$145 million in 2015	November 2017	—		**—**	188,224
Term Loan A-2 Facility – US$98.2 million (US$100 million in 2015)	September 2019	2.40	(1) (3)	**127,146**	129,391
Term Loan A-3 Facility – US$124.6 million	September 2019	2.40	(1) (3)	**161,284**	—
Term Loan B Facility – US$362.6 million (US$369.4 million in 2015)	November 2019	3.25	(1)	**466,024**	473,653
Revolving Facility – US$76 million (US$111 million in 2015)	September 2019	2.40	(1)	**99,682**	146,043
				2,944,605	3,378,749
Less current portion				**22,527**	297,657
				2,922,078	3,081,092

(1) Interest rate on debt includes applicable margin.

(2) The amount drawn under the Revolving loan facility has been hedged until October 3, 2016, using a cross-currency swap agreement which sets the amount redeemable at maturity at CAD$77 million and the effective interest rate on the Canadian dollar equivalent at 2.04%.

(3) On October 14, 2015, Cogeco Communications has entered into two interest rate swap agreements to fix interest rate on a notional amount of US$150 million (US$75 million each agreement) of its LIBOR based loans. These agreements have the effect of converting the floating US Libor base rate at a fixed rate of 0.6120% and 0.9870%, under Term Loan A and Term Loan A-2 Facilities, until October 30, 2017 and July 31, 2019, respectively. Pursuant to the May 31, 2016 conversion of Term Loan A into Term Loan A-3, the designation of the US$75 million notional amount of the Term Loan A Facility has been consequently replaced by the Term Loan A-3 Facility.

a) The Corporation benefits from a Term Revolving Facility of $50 million, including a swingline limit of $7.5 million. On October 27, 2015, the facility was amended and the maturity was extended to February 1, 2021, 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, dividends on multiple and subordinate voting shares and reimbursement of long-term debt as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs, claims and litigations, impairment of goodwill and intangible assets ("adjusted EBITDA"), financial expense, and total indebtedness. The Term Revolving Facility bears interest based, at the Corporation's option, on bankers' acceptance, LIBOR US dollars, bank prime rate or US base rate plus the applicable margin, and commitment fees are payable on the unused portion.

b) On November 7, 2011, the Corporation completed, pursuant to a private placement, the issue 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) On March 5, 2014, the Corporation completed, pursuant to a private placement, the issuance of $50 million of Senior Unsecured Notes. These unsecured notes bear interest at 6.00% per annum payable semi-annually and mature on March 5, 2020. Half of the Senior Unsecured Notes are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries.

d) The Corporation's subsidiary, Cogeco Communications, has a Term Revolving Facility of $800 million with a syndicate of lenders. On December 8, 2015, the facility was amended and the maturity was extended until January 22, 2021 and can be further extended annually. This amended and restated Term Revolving Facility is comprised of two tranches: a first tranche, a Canadian tranche, amounting to $788 million and the second tranche, a UK tranche, amounting to $12 million. Cogeco Peer 1 (UK) Ltd. can borrow under the UK tranche. The Canadian tranche 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 margin. The UK tranche is available in British Pounds and interest rates are based on British Pounds base rate loans and British Pounds LIBOR loans. The Term Revolving Facility provides access to a swingline with a limit of $30 million, from which $12 million are available under a UK swingline.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 certain of its 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. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as incurrence and maintenance of certain financial ratios primarily linked to EBITDA adjusted for integration, restructuring and acquisition costs, claims and litigations, impairment of goodwill and intangible assets ("adjusted EBITDA"), financial expense and total indebtedness.

e) 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 certain of its subsidiaries.

f) On October 1, 2008, the Corporation's subsidiary, Cogeco Communications, issued US$190 million Senior Secured Notes Series A maturing October 1, 2015, and $55 million Senior Secured Notes Series B maturing October 1, 2018. The Senior Secured Notes Series B bear interest at the coupon rate of 7.60% per annum, payable semi-annually. Cogeco Communications has entered into cross-currency swap agreements to fix the liability for interest and principal payments on the Senior Secured Notes Series A in the amount of US $190 million, which bore interest at the coupon rate of 7.00% per annum, payable semi-annually. Taking into account these agreements, the effective interest rate on the Senior Secured Notes Series A was 7.24% and the exchange rate applicable to the principal portion of the US dollar-denominated debt has been fixed at $1.0625. The Senior Secured Notes are senior secured obligations and rank equally and rateably with all existing and future senior indebtedness. 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 certain of its subsidiaries. These Notes are redeemable at the Corporation's option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium. On October 1, 2015, Cogeco Communications repaid the matured Senior Secured Notes Series A and settled the related cross-currency swap agreements.

g) 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 Corporation's 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 certain of its subsidiaries.

h) On November 16, 2010, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue 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 certain of its subsidiaries.

i) On February 14, 2012, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue 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 certain of its subsidiaries.

j) On May 27, 2013, the Corporation's subsidiary, Cogeco Communications, completed pursuant to a public debt offering, the issue 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. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

k) On March 5, 2008, the Corporation's subsidiary, Cogeco Communications, issued a $100 million Senior Unsecured Debenture by way of a private placement. The debenture bears interest at a fixed rate of 5.936% per annum, payable semi-annually. The debenture matures on March 5, 2018 and is redeemable at Cogeco Communications' option at any time, in whole or in part, prior to maturity, at 100% of the principal amount plus a make-whole premium.

l) On April 23, 2013, the Corporation's subsidiary, Cogeco Communications, completed a private placement of US$400 million aggregate principal amount of Senior Unsecured Notes. These Notes mature on May 1, 2020 and bear interest at 4.875% per annum payable semi-annually. They are guaranteed on a senior unsecured basis, jointly and severally, by its subsidiaries except for the unrestricted subsidiaries. The provisions under these Notes 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, investments and distributions.

m) In connection with the acquisition of Atlantic Broadband on November 30, 2012, the Corporation's subsidiary, Cogeco Communications, concluded, through two of its United States subsidiaries, First Lien Credit Facilities totaling US$710 million in three tranches. The first tranche, a Term Loan A Facility matures on November 30, 2017, the second tranche, a Term Loan B Facility matures on November 30, 2019 and the third tranche, a Revolving Credit Facility matures on November 30, 2017. Interest rates on the First Lien Credit Facilities are based on LIBOR plus the applicable margin, with a LIBOR floor of 0.75% for the Term Loan B Facility. Term Loan A and B Facilities are subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule and since the first quarter of fiscal 2015, loans under the Term Loan Facilities shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule. The calculation of the excess cash flow prepayment is defined as follows:

(i) 50% if the Consolidated First Lien Leverage Ratio is greater than or equal to 4.00 to 1.00;
(ii) 25% if the Consolidated First Lien Leverage Ratio is greater than or equal to 3.00 to 1.00 but less than 4.00 to 1.00; and
(iii) 0% if the Consolidated First Lien Leverage Ratio is less than 3.00 to 1.00.

The First Lien Credit Facilities are non-recourse to Cogeco Communications and 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.

In connection with the acquisition of MetroCast Connecticut by Cogeco Communications' subsidiary, Atlantic Broadband, on August 20, 2015, the First Lien Credit Facilities were amended on July 17, 2015 and such amendments became effective on the closing date of the acquisition. Pursuant to the amendment, an incremental Term Loan A-2 Facility in an amount of US$100 million was issued for net proceeds of US$98.3 million ($128.6 million) net of transaction costs of US$1.7 million ($2.2 million). The Term Loan A-2 Facility matures on September 3, 2019 and is subject to a quarterly fixed amortization schedule. In addition to the fixed amortization schedule, the Term Loan A-2 Facility is subject to a prepayment percentage of excess cash flow generated during the prior fiscal year which may reduce the quarterly fixed amortization schedule, consistent with that of the Term Loan A. Other terms and conditions related to financial covenants and interest rates remained the same.

On May 31, 2016 the First Lien Credit Facilities were amended. Under the amendment, the Term Loan A Facility was converted into a Term Loan A-3 Facility which resulted in the extension of the maturity from November 2017 to September 2019. The Revolving Facility maturity was also extended from November 2017 to September 2019. Transaction costs of US$0.5 million were incurred in connection with the amendment. All other terms and conditions remained the same.

18. 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,	**2016**	2015
(In thousands of Canadian dollars, except number of shares)	**$**	$
1,842,860 multiple voting shares	**12**	12
14,969,572 subordinate voting shares (14,989,338 in 2015)	**121,815**	121,976
	121,827	121,988
63,021 subordinate voting shares held in trust under the Incentive Share Unit Plan (78,482 in 2015)	**(3,142)**	(3,730)
38,786 subordinate voting shares held in trust under the Performance Share Unit Plan (19,152 in 2015)	**(2,196)**	(1,086)
	116,489	117,172

During fiscal 2016, subordinate voting share transactions were as follows:

Year ended August 31,		**2016**
	Number of shares	**Amount**
(In thousands of Canadian dollars, except number of shares)		**$**
Balance, beginning of the year	**14,989,338**	**121,976**
Purchase and cancellation of subordinate voting shares [(1)]	**(19,766)**	**(161)**
Balance, end of the year	**14,969,572**	**121,815**

(1) On July 28, 2016 Cogeco announced that the TSX accepted its notice of intention for a normal course issuer bid, enabling it to acquire for cancellation up to 375,000 subordinate voting shares from August 2, 2016 to August 1, 2017. During fiscal 2016, Cogeco acquired and cancelled 19,766 subordinate voting shares with an average stated value of $161,000, for consideration of $1.02 million. The excess of the purchase price over the average stated value of the shares totaled $855,000 and was charged to retained earnings.

During fiscal 2016 and 2015, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		**2016**		2015
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**78,482**	**3,730**	89,146	4,025
Subordinate voting shares acquired	**17,050**	**963**	16,078	912
Subordinate voting shares distributed to employees	**(32,511)**	**(1,551)**	(26,742)	(1,207)
Balance, end of the year	**63,021**	**3,142**	78,482	3,730

During fiscal 2016 and 2015, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,		**2016**		2015
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**19,152**	**1,086**	—	—
Subordinate voting shares acquired	**20,299**	**1,146**	19,152	1,086
Subordinate voting shares distributed to employees	**(665)**	**(36)**	—	—
Balance, end of the year	**38,786**	**2,196**	19,152	1,086

C) DIVIDENDS

For the year ended August 31, 2016, quarterly dividends of $0.295 per share, for a total of $1.18 per share were paid to the shareholders of multiple and subordinate voting shares, totalling $19.7 million , compared to quarterly dividends of $0.255 per share, for a total of $1.02 per share, or $17.1 million for the year ended August 31, 2015.

At its November 2, 2016 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.34 per share for multiple voting and subordinate voting shares, payable on November 30, 2016, to shareholders of record on November 16, 2016.

D) SHARE-BASED PAYMENT PLANS

The Corporation and its subsidiary, Cogeco Communications, offer for the benefit of their employees and those of their subsidiaries Employee Stock Purchase Plans 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 2016 and 2015, no stock options were granted to employees by Cogeco and no stock options were outstanding at August 31, 2016 and 2015.

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,		**2016**		2015
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
		$		$
Outstanding, beginning of the year	**721,973**	**47.24**	730,702	42.66
Granted (1)	**176,225**	**67.40**	185,600	61.83
Exercised (2)	**(140,199)**	**37.67**	(138,711)	40.34
Cancelled	**(112,373)**	**53.84**	(55,618)	52.93
Outstanding, end of the year	**645,626**	**53.67**	721,973	47.24
Exercisable, end of the year	**221,529**	**44.70**	247,142	38.23

(1) For the year ended August 31, 2016, Cogeco Communications granted 74,750 (61,300 in 2015) 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 $63.57 ($72.31 in 2015).

At August 31, 2016, 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, 2016			**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)**	**$**		**$**
31.82 to 34.46	**42,133**	**2.76**	**32.86**	**42,133**	**32.86**
38.08 to 40.45	**97,791**	**5.69**	**38.75**	**57,925**	**38.63**
44.00 to 49.82	**67,187**	**3.75**	**48.28**	**56,401**	**48.45**
50.10 to 58.12	**147,660**	**7.16**	**50.13**	**40,590**	**50.15**
61.22 to 70.12	**290,855**	**8.73**	**64.74**	**24,480**	**61.77**
	645,626	**7.00**	**53.67**	**221,529**	**44.70**

The weighted average fair value of stock options granted for the period ended August 31, 2016 was $11.32 ($11.77 in 2015) 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,	**2016**	2015
	%	%
Expected dividend yield	**2.09**	1.97
Expected volatility (1)	**22.33**	22.85
Risk-free interest rate	**0.96**	1.60
Expected life (in years)	**6.1**	6.2

(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 $1,191,000 ($1,314,000 in 2015) was recorded for the year ended August 31, 2016 related to this plan.

ISU plans

The Corporation and its subsidiary, Cogeco Communications, offer executive officers and designated employees ISU Plans. According to the plans, executive officers and designated employees periodically receive a given number of Incentive Share Units ("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. For the grants made after April 7, 2015 the holder of ISUs is entitled to payment of the ISUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year 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 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,	**2016**	2015
Outstanding, beginning of the year	**78,482**	89,146
Granted	**18,000**	16,078
Distributed	**(32,511)**	(26,742)
Cancelled	**(1,496)**	—
Outstanding, end of the year	**62,475**	78,482

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

Years ended August 31,	2016	2015
Outstanding, beginning of the year	**217,779**	247,279
Granted [1]	**38,325**	56,656
Distributed	**(91,456)**	(81,217)
Cancelled	**(20,025)**	(4,939)
Outstanding, end of the year	**144,623**	217,779

(1) For the years ended August 31, 2016 and 2015, Cogeco Communications did not grant ISUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $4,621,000 ($5,649,000 in 2015) was recorded for the year ended August 31, 2016 related to these plans.

PSU plans

In October 2014, the Corporation and its subsidiary, Cogeco Communications, introduced 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 the Economic Value Creation formula, a performance measure used by management. The number of Performance Share Units ("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 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,	2016	2015
Outstanding, beginning of the year	**19,139**	—
Granted	**20,850**	18,812
Distributed	**(665)**	—
Cancelled	**(2,116)**	—
Dividend equivalents	**854**	327
Outstanding, end of the year	**38,062**	19,139

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

Years ended August 31,	2016	2015
Outstanding, beginning of the year	**49,862**	—
Granted [1]	**44,425**	56,000
Distributed	**(2,677)**	(617)
Cancelled	**(12,339)**	(6,574)
Dividend equivalents	**2,105**	1,053
Outstanding, end of the year	**81,376**	49,862

(1) For the year ended August 31, 2016, Cogeco Communications granted 11,950 (11,050 in 2015) PSUs to Cogeco's executive officers as executive officers of Cogeco Communications.

A compensation expense of $2,212,000 ($1,126,000 in 2015) was recorded for the year ended August 31, 2016 related to these plans.

DSU plans

The Corporation and its subsidiary, Cogeco Communications, also offer DSU Plans for members of the Board to assist in the attraction and retention of qualified individuals to serve on the Board of the Corporation and its subsidiary. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of deferred share units ("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 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,	**2016**	2015
Outstanding, beginning of the year	**47,814**	40,608
Issued	**10,753**	6,394
Dividend equivalents	**1,257**	812
Outstanding, end of the year	**59,824**	47,814

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

Years ended August 31,	**2016**	2015
Outstanding, beginning of the year	**26,579**	31,609
Issued	**5,155**	3,412
Redeemed	**—**	(9,002)
Dividend equivalents	**749**	560
Outstanding, end of the year	**32,483**	26,579

A compensation expense of $565,000 ($951,000 in 2015) was recorded for the year ended August 31, 2016 related to these plans.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

During fiscal 2016 and 2015, accumulated other comprehensive income variations were as follows:

Years ended August 31, 2016 and 2015	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2014	427	8,704	9,131
Other comprehensive income for the year	11	17,697	17,708
Balance at August 31, 2015	**438**	**26,401**	**26,839**
Other comprehensive income (loss) for the year	**(485)**	**755**	**270**
Balance at August 31, 2016	**(47)**	**27,156**	**27,109**

20. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2016**	2015
(in thousands of Canadian dollars)	**$**	$
Trade and other receivables	**3,358**	(23,697)
Prepaid expenses and other	**13,113**	(10,300)
Trade and other payables	**1,029**	(39,057)
Provisions	**7,829**	2,640
Deferred and prepaid revenue and other liabilities	**(795)**	7,012
	24,534	(63,402)

B) CASH AND CASH EQUIVALENTS

At August 31,	2016	2015
(In thousands of Canadian dollars)	$	$
Cash	**68,344**	96,793
Cash equivalents [(1)]	**—**	67,396
	68,344	164,189

(1) At August 31, 2015, comprised of Banker's acceptances for a total of $67.4 million, bearing interest within a range of 0.53 % to 0.60 % and with maturity dates ranging from September 1, 2015 to September 8, 2015.

21. 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 $10,122,000 ($10,099,000 in 2015) for the year ended August 31, 2016 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, 2015 and the next required valuation is at August 31, 2016. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2014 and the next required valuation is at August 31, 2017.

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,	2016	2015
(In thousands of Canadian dollars)	$	$
Defined benefit obligation [(1)]		
Defined benefit obligation, beginning of the year	**84,258**	80,093
Current service cost	**3,392**	3,009
Interest cost	**3,482**	3,305
Contributions by plan participants	**394**	381
Benefits paid	**(2,065)**	(2,078)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	**93**	(491)
Changes in demographic assumptions	**(9)**	39
Changes in financial assumptions	**12,505**	—
Defined benefit obligation, end of the year	**102,050**	84,258
Plan assets at fair value		
Plan assets at fair value, beginning of the year	**77,923**	67,250
Interest income	**3,302**	2,894
Return on plan assets, except amounts included in interest income	**1,105**	(1,537)
Administrative expense	**(314)**	(265)
Contributions by plan participants	**394**	381
Employer contributions	**10,389**	11,278
Benefits paid	**(2,065)**	(2,078)
Plan assets at fair value, end of the year	**90,734**	77,923
Funded status		
Plan assets at fair value	**90,734**	77,923
Defined benefit obligation	**102,050**	84,258
Net defined benefit liability	**11,316**	6,335

(1) The weighted average duration of the defined benefit obligation at August 31, 2016 is 14 years (13 years in 2015).

The net defined benefit liability is included in the Corporation's consolidated statement of financial position under "pension plan liabilities and accrued employee benefits".

Defined benefit costs recognized in profit or loss

Years ended August 31,	2016	2015
(In thousands of Canadian dollars)	**$**	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**3,392**	3,009
Administrative expense	**314**	265
Recognized in financial expense (other)		
Net interest	**180**	411
	3,886	3,685

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2016	2015
(In thousands of Canadian dollars)	**$**	$
Actuarial losses (gains) arising from:		
Experience adjustments	**93**	(491)
Change in demographic assumptions	**(9)**	39
Change in financial assumptions	**12,505**	—
Return on plan assets, except amounts included in interest income	**(1,105)**	1,537
	11,484	1,085

The expected employer contributions to the Corporation's defined benefit plans will be $6,038,000 in 2017.

Plan assets consist of:

At August 31,	2016	2015
	%	%
Equity securities (1)	**55**	53
Debt securities (1)	**13**	17
Deposits in trust (2)	**24**	23
Other	**8**	7
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,	2016	2015
	%	%
Defined benefit obligation		
Discount rate	**3.00**	4.00
Rate of compensation increase	**2.75**	3.00
Mortality table	**CPM-2014**	CPM-2014
Defined benefit costs		
Discount rate	**4.00**	4.00
Rate of compensation increase	**3.00**	3.00
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, which would reduce the discount rate used, will increase the present value of the defined benefit obligation. However, this increase would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

The present value of the defined benefit obligation is calculated using management's best estimate of the following actuarial assumption for each identified risk:

Risk	Assumption	Change in assumption	Potential impact
Salary	Expected rate of compensation increase of plan members	Increase in the expected rate of compensation increase of plan members	Increase

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation were 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 were 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, 2016	Change in assumption	Impact of change in assumption
(In thousands of Canadian dollars)	%	$
Discount rate	0.10	1,424
Expected rate of compensation increase	0.25	269

22. 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 cross-currency swaps and 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, 2016, 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") and "AA (low)" by Dominion Bond Rating Services ("DBRS").

Cash and cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash 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 doubtful accounts based on specific credit risk of its customers by examining such factors as the number of overdue days of the customer's balance outstanding as well as the customer's collection history. 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, in United States and in Europe, 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,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
Trade accounts receivable	**122,410**	119,062
Allowance for doubtful accounts	**(4,878)**	(6,707)
	117,532	112,355
Other accounts receivable [(1)]	**25,010**	37,000
	142,542	149,355

(1) Include amounts receivable related to a claim with a supplier, which will be paid partly in cash and partly in the form of credit notes applicable on future purchases of property, plant and equipment.

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, 2016 and 2015:

At August 31,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
Less than 60 days past due	**33,595**	33,499
60 to 90 days past due	**3,345**	3,311
More than 90 days past due	**2,630**	592
	39,570	37,402

The following table shows changes in the allowance for doubtful accounts for the year ended August 31, 2016 and 2015:

Years ended August 31,	**2016**	2015
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**6,707**	7,243
Provision for impaired receivables	**18,492**	22,010
Net use	**(20,307)**	(23,128)
Foreign currency translation adjustments	**(14)**	582
Balance, end of the year	**4,878**	6,707

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, 2016, an amount of $127.6 million was used from the Corporation's Term Revolving Facility and Cogeco Communications' Term Revolving Facility of $850.0 million, for a remaining availability of $722.4 million. Management believes that the committed revolving credit facilities will, until their maturities in February 2021 and January 2021, 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 $196.7 million (US$150 million) of which $101.6 million (US$77.5 million) was used at August 31, 2016 for a remaining availability of $95.1 million (US$72.5 million) .

The following table summarizes the contractual maturities of the financial liabilities and related capital amounts at August 31, 2016:

		Contractual cash flows						
	Carrying amount	2017	2018	2019	2020	2021	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$	$
Bank indebtedness	**4,115**	**4,115**	—	—	—	—	—	**4,115**
Trade and other payables (1)	**282,797**	**282,797**	—	—	—	—	—	**282,797**
Long-term debt	**2,944,605**	**22,527**	**133,414**	**95,634**	**1,345,476**	**326,265**	**1,046,523**	**2,969,839**
Derivative financial instruments	**(1,040)**	**(1,040)**	—	—	—	—	—	**(1,040)**
	3,230,477	**308,399**	**133,414**	**95,634**	**1,345,476**	**326,265**	**1,046,523**	**3,255,711**

(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, 2016 and their respective maturities:

	2017	2018	2019	2020	2021	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on long-term debt	**122,408**	**121,736**	**112,758**	**91,565**	**52,711**	**130,788**	**631,966**
Interest receipts on derivative financial instruments	**(1,032)**	**(600)**	**(473)**	—	—	—	**(2,105)**
Interest payments on derivative financial instruments	**1,573**	**1,070**	**890**	—	—	—	**3,533**
	122,949	**122,206**	**113,175**	**91,565**	**52,711**	**130,788**	**633,394**

Interest rate risk

The Corporation and its subsidiary, Cogeco Communications, are exposed to interest rate risks for both fixed and floating interest rate instruments. Interest rates fluctuations will have an effect on the valuation and collection or repayment of these instruments. At August 31, 2016, all of the Corporation's and Cogeco Communications' long-term debt was at fixed rate, except for the amounts drawn under Cogeco Communications' Term Revolving Facility and First Lien Credit Facilities.

To mitigate such risk, the Corporation's subsidiary, Cogeco Communications entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2016:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$75 million	US Libor base rate	0.6120%	October 30, 2017	Term Loan A-3 Facility
Cash flow	US$75 million	US Libor base rate	0.9870%	July 31, 2019	Term Loan A-2 Facility

The sensitivity of the Corporation's annual financial expense to a variation of 1% in the interest rate applicable to these facilities is approximately $6.9 million based on the outstanding debt at August 31, 2016.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk related to its long-term debt denominated in US dollars that is not designated as a hedge on its US dollar net investments. In order to mitigate this risk, the Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rates applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

Accordingly, on October 2, 2008, the Corporation's subsidiary, Cogeco Communications, entered into cross-currency swap agreements to set the liability for interest and principal payments on its Senior Secured Notes Series A (see Note 17). During the first quarter of fiscal 2016 the Corporation's subsidiary settled these cross-currency swaps with a notional amount of US$190 million, following the repayment of its Senior Secured Notes Series A at maturity on October 1st 2015.

The Corporation is also exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars and British Pounds.The impact of a 10% change in the exchange rate of the US dollar and British Pound into Canadian dollars would change financial expense by approximatively $7.4 million based on the outstanding debt at August 31, 2016.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents, trade and other receivables and 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,			**2016**			2015
	US	**Euro**	**British Pounds**	US	Euro	British Pounds
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$	$
Financial assets (liabilities)						
Cash and cash equivalents	**16,520**	**1,446**	**224**	28,763	887	295
Trade and other receivables	**3,000**	**170**	**—**	4,405	198	—
Trade and other payables and provisions	**(15,499)**	**(6,982)**	**—**	(25,986)	(7,074)	—
	4,021	**(5,366)**	**224**	7,182	(5,989)	295

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 investment in foreign operations is exposed to market risk attributable to fluctuations in foreign currency exchange rates, primarily changes in the values of the Canadian dollar versus the US dollar and British Pound. This risk is mitigated since the major part of the purchase prices for Atlantic Broadband and Peer 1 Hosting were borrowed directly in US dollars and British Pounds.

The following table shows the investments in foreign operations outstanding at August 31, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$883.7 million	Net investments in foreign operations in US dollar
Net investment	£23.6 million	£31.4 million	Net investments in foreign operations in British pound

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollar for the statement of financial position accounts at August 31, 2016 was $1.3116 per US dollar and $1.7223 per British Pound. The impact of a 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $13.6 million.

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 Corporation's 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 margin. 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 A and B, Senior Secured Notes, Senior Unsecured Notes, Senior Unsecured Debenture 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,		**2016**		2015
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Long-term debt	**2,944,605**	**3,067,189**	3,378,749	3,483,581

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, 2016 and 2015 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,	**2016**	2015
Net secured indebtedness (1) / adjusted EBITDA	**2.2**	2.6
Net indebtedness (2) / adjusted EBITDA	**2.9**	3.3
Adjusted EBITDA / financial expense	**7.2**	6.4

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

(2) Net indebtedness is defined as the total of bank indebtedness, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

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

Years ended August 31,	**2016**	2015
Net secured indebtedness (1) / adjusted EBITDA	**2.3**	2.7
Net indebtedness (2) / adjusted EBITDA	**2.9**	3.3
Adjusted EBITDA / financial expense	**7.2**	6.5

(1) Net secured indebtedness is defined as the total of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents and principal on Senior Unsecured Debenture and Senior Unsecured Notes.

(2) Net indebtedness is defined as the total of bank indebtedness, intercompany note payable, principal on long-term debt and obligations under derivative financial instruments, less cash and cash equivalents.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2016	2015
(In thousands of Canadian dollars)	**$**	$
Financial assets		
Loans and receivables	**210,886**	322,544
Derivative financial instruments in designated hedge relationships	**1,040**	49,834
	211,926	372,378
Financial liabilities		
Derivative financial instruments in designated hedge relationships	**165**	—
Other liabilities	**3,261,634**	3,692,380
	3,261,799	3,692,380

23. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco is the Parent company of Cogeco Communications, which holds 31.8% of Cogeco Communications' equity shares, representing 82.3% of Cogeco Communications' voting shares.

On July 14, 2015, the Management Services Agreement pursuant to which Cogeco provides executive, administrative, financial and strategic planning services and other services (the “Management Services”) to Cogeco Communications was amended and restated (the "Amended and Restated Management Services Agreement") to better align the management fees with the time, services and efforts of Cogeco's management being supplied to Cogeco Communications. Since September 1, 2015, the management fee is now payable on a monthly basis, representing 0.85% of the consolidated revenue of Cogeco Communication, with no maximum level or inflation-based adjustment. Under the Amended and Restated Management Service Agreement, provision is made for future adjustment upon the request of either Cogeco or Cogeco Communications should the level of management fees no longer align with the costs, time and resources committed by Cogeco. Cogeco previously provided the Management Services for an annual fee equal to 2% of Cogeco Communications' gross revenue, subject to an inflation-adjusted maximum annual fee which was set at $9.9 million in fiscal 2015. In addition, Cogeco Communications reimburses Cogeco’s out-of-pocket expenses incurred with respect to services provided to Cogeco Communications under the Agreement.

No direct remuneration is payable to Cogeco's executive officers by Cogeco Communications. However, Cogeco Communications granted 74,750 stock options (61,300 in 2015), did not grant any ISUs and granted 11,950 PSUs (11,050 in 2015) to these executive officers as executive officers of Cogeco Communications during fiscal 2016. During fiscal 2016, Cogeco Communications charged the Corporation amounts of $616,000 ($502,000 in 2015), $330,000 ($303,000 in 2015) and $501,000 ($188,000 in 2015) with regards to Cogeco Communications' stock options, ISUs and PSUs granted to these executive officers.

B) INTERCOMPANY NOTE PAYABLE

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and its subsidiary, Cogeco Communications, by which a revolving credit facility was established in favour of Cogeco Communications. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to Cogeco Communications as of the signing date and remains outstanding as of August 31, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to Cogeco Communications' US dollar revolving loan under the Canadian Revolving Facility while taking into consideration the effect of the cross-currency swap agreement.

C) 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,	2016	2015
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employee benefits	**5,601**	5,107
Post-employment benefits	**463**	578
Share-based payments	**3,025**	2,997
	9,089	8,682

24. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

At August 31, 2016, the Corporation and its subsidiaries are committed under operating lease agreements and other long-term contracts to make annual payments as follows:

	2017	2018	2019	2020	2021	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Operating lease agreements (1)	**36,567**	**35,249**	**31,715**	**30,237**	**28,778**	**53,799**
Acquisition of property, plant and equipment and intangible assets (2)	**19,254**	**—**	**17,775**	**—**	**—**	**—**
Other long-term contracts (3)	**43,712**	**28,305**	**13,908**	**10,216**	**6,453**	**24,487**
	99,533	**63,554**	**63,398**	**40,453**	**35,231**	**78,286**

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

(2) Include minimum spend commitments under acquisitions of home terminal devices and software licenses.

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

B) CONTINGENCIES

The Corporation and its subsidiaries are involved in matters involving litigation or potential claims from 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 litigation to be significant to these 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, 2016 and 2015, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

Business combinations and asset disposals

In connection with the acquisition or sale of a business or assets, in addition to possible indemnification 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 and Senior Unsecured 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 sales 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 purchases 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.

25. NON-MONETARY TRANSACTIONS

During fiscal 2016, the Corporation's subsidiary, Cogeco Media, entered into non-monetary transactions. An amount of $5.1 million ($5.1 million in 2015) of revenue and $5.4 million ($5.3 million in 2015) of operating expenses were recorded.

26. GOVERNMENT ASSISTANCE

In 2016, the Corporation's subsidiary, Cogeco Communications, received $2.1 million ($6.8 million in 2015) in diverse forms of governments grants and research and development credits. This assistance was accounted as a reduction of property, plant and equipment for an amount of $1.3 million ($1.6 million in 2015), $0.8 million was recorded as a reduction of operating expenses, ($0.6 million recorded as revenue in 2015), and no amount was recorded as deferred and prepaid revenue and other liabilities ($4.6 million in 2015).

INVESTOR INFORMATION

CONSOLIDATED CAPITALIZATION

At August 31,	2016	2015	2014
(in thousands of dollars)	**$**	$	$
Indebtedness	**2,974,119**	3,361,948	2,848,040
Equity attributable to owners of the Corporation	**548,129**	603,598	513,965
Total	**3,522,248**	3,965,546	3,362,005

CREDIT RATINGS

COGECO COMMUNICATIONS CREDIT RATINGS

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 rating. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/Ba" rating category. In addition, obligations with BBB ratings generally have greater access to funding than those with "BB/Ba" ratings.

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

At August 31, 2016	Moody's	DBRS	Fitch	S&P
Cogeco Communications				
Senior Secured Notes and Debentures	**NR**	**BBB (low)**	**BBB-**	**BBB**
Senior Unsecured Notes	**NR**	**BB**	**BB+**	**BB-**
Atlantic Broadband				
First Liens Credit Facilities	**Ba3**	**NR**	**NR**	**BB**

NR : Not rated

SHARE INFORMATION

At August 31, 2016		Registrar / Transfer agent
Number of multiple voting shares (20 votes per share) outstanding	**1,842,860**	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	**14,969,572**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CGO	

DIVIDENDS

DIVIDEND DECLARATION

At its November 2, 2016 meeting, the Board of Directors of Cogeco declared a quarterly eligible dividend of $0.34 per share for multiple voting and subordinate voting shares, payable on November 30, 2016, to shareholders of record on November 16, 2016. 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 *(in dollars, except subordinate voting share volumes)*	**Nov. 30** **$**	**Feb. 29** **$**	**May 31** **$**	**Aug. 31** **$**	**2016** **Total**
The Toronto Stock Exchange					
High	**57.99**	**55.45**	**57.82**	**56.75**	
Low	**51.00**	**48.18**	**50.20**	**49.20**	
Close	**54.82**	**53.04**	**56.26**	**50.62**	
Volume (subordinate voting shares)	**687,954**	**624,019**	**508,118**	**835,190**	**2,655,281**

Quarters ended *(in dollars, except subordinate voting share volumes)*	Nov. 30 $	Feb. 28 $	May 31 $	Aug. 31 $	2015 Total
The Toronto Stock Exchange					
High	60.79	63.76	61.77	58.81	
Low	50.60	57.25	50.00	52.00	
Close	60.79	62.05	52.12	55.30	
Volume (subordinate voting shares)	477,681	1,921,631	499,534	545,550	3,444,396

COMMUNICATIONS SEGMENT CUSTOMER STATISTICS

	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015	August 31, 2015	August 31, 2014
CONSOLIDATED						
Primary service units	**2,507,750**	**2,511,799**	**2,515,137**	**2,510,979**	2,497,702	2,442,184
Video service customers	**982,955**	**992,409**	**1,001,337**	**1,009,098**	1,014,661	1,023,094
Internet service customers	**987,365**	**977,538**	**967,156**	**953,134**	934,470	869,453
Telephony service customers	**537,430**	**541,852**	**546,644**	**548,747**	548,571	549,637
CANADA						
Primary service units	**1,914,017**	**1,921,799**	**1,932,343**	**1,933,527**	1,926,542	1,946,022
Video service customers	**739,323**	**747,257**	**755,366**	**761,209**	765,358	797,165
Penetration as a percentage of homes passed	**43.4%**	**43.9%**	**44.6%**	**45.0%**	45.4%	47.3%
Internet service customers	**733,701**	**728,086**	**724,379**	**716,577**	704,555	679,584
Penetration as a percentage of homes passed	**43.0%**	**42.8%**	**42.7%**	**42.4%**	41.8%	40.3%
Telephony service customers	**440,993**	**446,456**	**452,598**	**455,741**	456,629	469,273
Penetration as a percentage of homes passed	**25.9%**	**26.3%**	**26.7%**	**26.9%**	27.1%	27.8%
UNITED STATES						
Primary service units	**593,733**	**590,000**	**582,794**	**577,452**	571,160	496,162
Video service customers	**243,632**	**245,152**	**245,971**	**247,889**	249,303	225,929
Penetration as a percentage of homes passed	**41.2%**	**41.4%**	**41.7%**	**42.0%**	42.2%	43.7%
Internet service customers	**253,664**	**249,452**	**242,777**	**236,557**	229,915	189,869
Penetration as a percentage of homes passed	**42.9%**	**42.1%**	**41.1%**	**40.1%**	38.9%	36.7%
Telephony service customers	**96,437**	**95,396**	**94,046**	**93,006**	91,942	80,364
Penetration as a percentage of homes passed	**16.3%**	**16.1%**	**15.9%**	**15.8%**	15.5%	15.5%

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **JAN PEETERS, Board Chair**
Montréal (Québec)
President and Chief Executive Officer and Board Chair
Olameter Inc. (Telemetry company)

★ **LOUIS AUDET**, Eng., MBA, C.M.
Westmount (Québec)
President and Chief Executive Officer
Cogeco Inc. and Cogeco Communications Inc.

■ **MARY-ANN BELL**, Eng., M.Sc., ASC
Montréal (Québec)
Corporate Director

●■ **ELISABETTA BIGSBY**, M. Econ.
Toronto (Ontario)
Corporate Director

●◆ **PIERRE L. COMTOIS**, B. Sc., Com., Adm. A.
Montréal (Québec)
Vice-Chairman of the Board and Director
Optimum Asset Management Inc. (Canadian Private International Financial Group)

●■◆ **JAMES C. CHERRY**, B.Com, FCPA, FCA
Montréal (Québec)
President and Chief Executive Officer
Aéroports de Montréal

●■★ **CLAUDE A. GARCIA**, B.A., B. Com.
Montréal (Québec)
Corporate Director

●★ **NORMAND LEGAULT**, B.B.A
Montréal (Québec)
Chairman and Chief Executive Officer
Solotech Group Inc. (Entertainment technology provider)

◆★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Beaconsfield (Québec)
Partner
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
Suite 1700
Montréal (Québec)
H3B 0B3
corpo.cogeco.com

CORPORATE MANAGEMENT

LOUIS AUDET
President and Chief Executive Officer

ELIZABETH ALVES
Vice President, Internal Audit and Risk Management

PHILIPPE BONIN
Vice President, Corporate Development

NATHALIE DORVAL
Vice President, Regulatory Affairs and Copyright

RENÉ GUIMOND
Senior Vice President, Public Affairs and Communications

CHRISTIAN JOLIVET
Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

PIERRE MAHEUX
Vice President, Corporate Controller

LUC NOISEUX
Senior Vice President and Chief Technology and Strategy Officer

DIANE NYISZTOR
Senior Vice President, Corporate Human Resources

PATRICE OUIMET
Senior Vice President and Chief Financial Officer

ANDRÉE PINARD
Vice President and Treasurer

SUBSIDIARIES AND OPERATING SEGMENT

COMMUNICATIONS SEGMENT

COGECO COMMUNICATIONS INC.

LOUIS AUDET
President and Chief Executive Officer

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COGECO CONNEXION

KEN SMITHARD
President

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RICHARD SHEA
President and Chief Executive Officer

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PHILIPPE JETTÉ
President

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www.cogecopeer1.com

OTHER

COGECO MÉDIA

RICHARD LACHANCE
President and Chief Executive Officer

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Montréal (Québec)
H5A 1K6
www.cogecomedia.com

CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 11:45 a.m. on Thursday, January 12, 2017, at the Centre Mont-Royal, Mont-Royal room 1, 4th Floor, Montréal (Québec).

AUDITORS
Deloitte LLP
1190 Avenue des Canadiens-de-Montréal
Suite 500
Montréal (Québec)
H3B 0M7

LEGAL COUNSEL
Stikeman Elliott LLP
1155 René-Lévesque Blvd. West
40th Floor
Montréal (Québec)
H3B 3V2

TRANSFER AGENT FOR SUBORDINATE AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

TRUSTEE FOR SENIOR UNSECURED NOTES
Computershare Trust Company, N.A

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 contact the Corporate and Legal Affairs Department of the Corporation.

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 Risk Management 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**
United Kingdom:	**0 800 016 3854**
France:	**0 800 914 343**

Web site of ClearView Connects: www.clearviewconnects.com cogeco

corpo.cogeco.com