COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three-month period ended November 30, 2016

FINANCIAL HIGHLIGHTS

	Quarters ended November 30,		
	2016	2015	Change
(in thousands of dollars, except percentages and per share data)	$	$	%
Operations			
Revenue	549,090	540,313	1.6
Adjusted EBITDA(1)	249,703	244,142	2.3
Operating margin(1)	45.5%	45.2%	—
Integration, restructuring and acquisition costs	—	2,030	—
Profit for the period	75,024	61,106	22.8
Cash flow			
Cash flow from operating activities	123,461	96,093	28.5
Acquisitions of property, plant and equipment, intangible and other assets	96,494	146,319	(34.1)
Free cash flow(1)	101,379	40,042	—
Financial condition(2)			
Cash and cash equivalents	43,541	62,286	(30.1)
Property, plant and equipment	1,982,202	1,989,720	(0.4)
Total assets	5,351,763	5,333,249	0.3
Indebtedness(3)	2,944,640	2,929,108	0.5
Shareholders' equity	1,438,989	1,379,915	4.3
Capital intensity(1)	17.6%	27.1%	—
Per Share Data(4)			
Earnings per share			
Basic	1.53	1.25	22.4
Diluted	1.52	1.24	22.6
Dividends	0.43	0.39	10.3

(1) The indicated terms do not have standardized definitions prescribed by the International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.
(2) At November 30, 2016 and August 31, 2016.
(3) Indebtedness is defined as the aggregate of bank indebtedness, intercompany note payable, balance due on a business combination, principal on long-term debt and obligations under derivative financial instruments.
(4) Per multiple and subordinate voting share.

COGECO COMMUNICATIONS

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

Three-month period ended November 30, 2016

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 Communications Inc.'s ("Cogeco Communications" 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 Communications 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 Corporation's 2016 annual 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 Communications currently expects. These factors include risks such as competitive risks, business risks, regulatory risks, technology risks, financial risks, economic conditions, ownership risks, human-caused and natural threats to our network, infrastructure and systems and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the Corporation's 2016 annual MD&A and the present MD&A . These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications 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 Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's condensed interim consolidated financial statements and the notes thereto for the three-month period ended November 30, 2016 prepared in accordance with the International Financial Reporting Standards ("IFRS") and the MD&A included in the Corporation's 2016 Annual Report.

2. CORPORATE OBJECTIVES AND STRATEGIES

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is dedicated to providing outstanding services to its customers and to increasing shareholder value. The Corporation focuses on optimizing profitability while efficiently managing capital utilization to generate future growth. To achieve these objectives, the Corporation has developed the following strategies:

Canadian and American broadband services	Business information and communications technology ("Business ICT") services
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 optimize cash flows

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

2.1 KEY PERFORMANCE INDICATORS

REVENUE

For the three-month period ended November 30, 2016, revenue increased by $8.8 million, or 1.6%, to reach $549.1 million compared to $540.3 million for the same period of fiscal 2016 mainly driven by growths of 7.0% in the American broadband services segment and of 1.0% in the Canadian broadband services segment, partly offset by a decrease of 6.3% in the Business ICT services segment.

ADJUSTED EBITDA AND OPERATING MARGIN

For the three-month period ended November 30, 2016, adjusted EBITDA increased by $5.6 million, or 2.3%, to reach $249.7 million compared to $244.1 million for the same period of fiscal 2016 essentially attributable to the improvement in the Canadian and American broadband services segments, partly offset by a decrease in the Business ICT services segment.

Cogeco Communications' operating margin slightly increased from 45.2% to 45.5% essentially due to a higher margin in the Canadian broadband services segment combined with a stable margin in the American broadband services, partly offset by a lower margin in the Business ICT services segment.

FREE CASH FLOW

For the three-month period ended November 30, 2016, Cogeco Communications reported free cash flow of $101.4 million, an increase of $61.3 million, compared to $40.0 million for the same period of the prior year. The increase is mostly attributable to lower acquisitions of property, plant and equipment, intangible and other assets resulting from the timing of certain initiatives mainly in the Canadian broadband services segment and a greater focus on capital expenditure optimization in the Business ICT services segment. The improvement of the adjusted EBITDA also contributed to the increase in free cash flow.

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

During the three-month period ended November 30, 2016, the acquisitions of property, plant and equipment, intangible and other assets amounted to $96.5 million and revenue to $549.1 million for a capital intensity ratio of 17.6% compared to 27.1% in the same period of the prior year resulting from lower acquisitions of property, plant and equipment, intangible and other assets. Despite lower capital expenditures in the first quarter of fiscal 2017, Management expects annual capital expenditures to be within fiscal 2017 guidelines.

In the Canadian broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $50.8 million compared to $93.6 million for the same period of fiscal 2016. The decrease resulted mainly from lower purchases of customer premise equipment ("CPE"), scalable infrastructure and line extension due to the timing of certain initiatives, partly offset by additional support capital expenditures.

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

In the American broadband services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $35.8 million compared to $33.4 million for the same period of fiscal 2016. The increase is mainly due to the acquisitions of scalable infrastructure to improve our network in some of the areas we serve as well as the primary service units ("PSU")(1) growth.

In the Business ICT services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $9.9 million compared to $19.3 million for the same period of fiscal 2016. The decrease is due to a greater focus on capital expenditure optimization combined with the timing of certain initiatives.

For further details on the Corporation's capital expenditures please refer to the "Cash flow analysis" section.

3. BUSINESS DEVELOPMENTS AND OTHER

On December 9, 2016, the Corporation amended its Term Revolving Facility resulting in the extension of the maturity date by an additional year until January 24, 2022.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

Quarters ended November 30,	2016	2015	Change
(in thousands of dollars, except percentages)	$	$	%
Revenue	549,090	540,313	1.6
Operating expenses	294,699	291,583	1.1
Management fees – Cogeco Inc.	4,688	4,588	2.2
Adjusted EBITDA	249,703	244,142	2.3
Operating margin	45.5%	45.2%	

REVENUE

Fiscal 2017 first-quarter revenue amounted to $549.1 million, an increase of $8.8 million, or 1.6%, compared to the same period of the prior year driven by growths of 7.0% in the American broadband services segment and 1.0% in the Canadian broadband services segment, partly offset by a decrease of 6.3% in the Business ICT services segment.

For further details on the Corporation's revenue, please refer to the "Segmented operating results" section.

OPERATING EXPENSES AND MANAGEMENT FEES

Fiscal 2017 first-quarter operating expenses amounted to $294.7 million, an increase of $3.1 million, or 1.1%, compared to the same period of the prior year. Operating expenses increased in the American broadband services segment, remained stable in the Canadian broadband services segment and have declined in the Business ICT services segment. For further details on the Corporation's operating expenses, please refer to the "Segmented operating results" section.

Management fees paid to Cogeco Inc. amounted to $4.7 million compared to $4.6 million for fiscal 2016 first-quarter. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2017 first-quarter adjusted EBITDA increased by $5.6 million, or 2.3%, to reach $249.7 million as a result of the improvement in the American and Canadian broadband services segments, partly offset by a decline of adjusted EBITDA in the Business ICT services segment.

Fiscal 2017 first-quarter operating margin slightly increased from 45.2% to 45.5% compared to the same period of fiscal 2016 as a result of a higher margin in the Canadian broadband services segment combined with a stable margin in the American broadband services segment, partly offset by a lower margin in the Business ICT services segment.

For further details on the Corporation's adjusted EBITDA and operating margin, please refer to the "Segmented operating results" section.

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

4.2 FIXED CHARGES

Quarters ended November 30,	2016	2015	Change
(in thousands of dollars, except percentages)	$	$	%
Depreciation and amortization	119,076	125,669	(5.2)
Financial expense	32,090	33,353	(3.8)

Fiscal 2017 first-quarter depreciation and amortization expense decreased by $6.6 million, or 5.2%, to reach $119.1 million compared to $125.7 million for the same period of the prior year. The decrease resulted mainly from lower acquisitions of property, plant and equipment, certain assets being fully amortized and from the impairment of $21.5 million of intangible assets in the third quarter of fiscal 2016.

Fiscal 2017 first-quarter financial expense decreased by $1.3 million, or 3.8%, to reach $32.1 million compared to $33.4 million for the same period of the prior year mainly as a result of a lower level of Indebtedness compared to the same period of the prior year.

4.3 INCOME TAXES

Fiscal 2017 first-quarter income taxes increased by $1.5 million, or 7.0%, to reach $23.5 million compared to $22.0 million for the prior year. The increase is mostly attributable to the improvement of the profit before income taxes, partly offset by the impact on deferred income taxes as a result of changes in substantively enacted tax rates.

On March 26, 2015 in its 2015 budget, the Quebec government announced that the corporate tax rate would be gradually reduced by 0.1% per year from 11.9% in 2017 to 11.5% in 2020. These rate reductions were substantively enacted on November 15, 2016 and have reduced the deferred tax liabilities and the deferred income taxes by approximately $1.7 million during the quarter.

4.4 PROFIT FOR THE PERIOD

Fiscal 2017 first-quarter profit for the period amounted to $75.0 million, or $1.53 per share compared to $61.1 million, or $1.25 per share for the same period of the prior year mainly as a result of the improvement of adjusted EBITDA combined with the decrease in depreciation and amortization.

4.5 CUSTOMER STATISTICS

	November 30, 2016			Net additions (losses) Quarters ended November 30	
	Consolidated	**Canada**	**United States**	2016 [2]	2015
PSU[1]	2,527,602	1,930,909	596,693	17,605	13,277
Video service customers	981,682	740,855	240,827	(2,712)	(5,563)
Internet service customers	1,007,610	749,275	258,335	19,437	18,664
Telephony service customers	538,310	440,779	97,531	880	176

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

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

VIDEO

Fiscal 2017 first-quarter video service customers net losses stood at 2,712 compared to 5,563 for the same period of fiscal 2016. The loss reduction resulted mainly from the customers' ongoing interest in TiVo's digital advanced video services both in Canada and in the United States, partly offset by competitive offers in the industry, service category maturity in Canada, the changing video consumption environment combined with a higher churn in the United States mostly resulting from the rate increases implemented in September 2016.

INTERNET

Fiscal 2017 first-quarter Internet service customers net additions amounted to 19,437 compared to 18,664 for the same period of fiscal 2016. The net additions stemmed from the customers' ongoing interest in TiVo's services which requires an Internet subscription, the growth in the business sector and the positive impact of the bundle offers.

TELEPHONY

Fiscal 2017 first-quarter telephony service customers net additions stood at 880 compared to 176 for the same period of fiscal 2016. The variation is mainly explained by the continued growth in the residential and business sectors in the United States combined with lower net losses in Canada.

For further details on the Corporation's customer statistics, please refer to the "Segmented operating results" section.

5. RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation's equity shares, representing 82.3% of the Corporation's voting shares.

Cogeco provides executive, administrative, financial and strategic planning services and other services to the Corporation under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.85% of the consolidated revenue of the Corporation, with no maximum level or inflation-based adjustment. In addition, provision is made for future adjustment upon the request of either Cogeco or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. The Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the first quarter of fiscal 2017, the Corporation granted 81,350 (69,750 in 2016) stock options, did not grant any Incentive Share Units ("ISUs") and granted 12,150 (11,150 in 2016) Performance Share Units ("PSUs") to these executive officers as executive officers of Cogeco Communications. During the first quarter of fiscal 2017, the Corporation charged Cogeco $163,000 ($144,000 in 2016), $33,000 ($113,000 in 2016) and $136,000 ($124,000 in 2016), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and Cogeco, by which a revolving credit facility was established in favour of the Corporation. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to the Corporation as of the signing date and remained outstanding as of November 30, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to the Corporation's 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.

6. CASH FLOW ANALYSIS

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Cash flow from operating activities	123,461	96,093
Cash flow from investing activities	(89,206)	(146,020)
Cash flow from financing activities	(53,754)	(76,234)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	754	669
Net change in cash and cash equivalents	(18,745)	(125,492)
Cash and cash equivalents, beginning of the period	62,286	163,166
Cash and cash equivalents, end of the period	43,541	37,674

6.1 OPERATING ACTIVITIES

Fiscal 2017 first-quarter cash flow from operating activities reached $123.5 million, representing an increase of $27.4 million, or 28.5%, compared to $96.1 million for the same period of the prior year mainly as a result of the following:

- the improvement of adjusted EBITDA of $5.6 million;
- the decrease of $38.2 million in income taxes paid;
- the decrease of $4.4 million in financial expense paid; partly offset by
- the increase of $22.8 million in changes in non-cash operating activities primarily due to changes in working capital.

6.2 INVESTING ACTIVITIES

Fiscal 2017 first-quarter investing activities decreased by $56.8 million, or 38.9%, to reach $89.2 million compared to $146.0 million for the same period of fiscal 2016. The decrease is mainly explained by lower acquisitions of property, plant and equipment, intangible and other assets as explained below.

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

Investing activities, including acquisition of property, plant and equipment segmented according to the *National Cable Television Association* ("NCTA") standard reporting categories, are as follows:

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Customer premise equipment(1)	37,355	66,150
Scalable infrastructure(2)	17,163	22,845
Line extensions	9,958	19,917
Upgrade / Rebuild	3,344	3,303
Support capital	14,678	10,831
Acquisition of property, plant and equipment - Canadian and American broadband services	82,498	123,046
Acquisition of property, plant and equipment - Business ICT services	8,464	18,358
Acquisition of property, plant and equipment - Head office	—	18
Acquisitions of property, plant and equipment	90,962	141,422
Acquisition of intangible and other assets - Canadian and American broadband services	4,099	3,942
Acquisition of intangible and other assets - Business ICT services	1,433	955
Acquisitions of intangible and other assets	5,532	4,897
	96,494	146,319

(1) Includes mainly home terminal devices as well as new and replacement drops.
(2) Includes mainly head-end equipment, digital video, telephony and Internet equipments.

For the quarter ended November 30, 2016, acquisitions of property, plant and equipment amounted to $91.0 million compared to $141.4 million for the same period of the prior year.

For the quarter ended November 30, 2016, acquisitions of intangible and other assets amounted to $5.5 million compared to $4.9 million for the same period of the prior year.

The most significant variances are as follows:

CANADIAN BROADBAND SERVICES SEGMENT

- Fiscal 2017 first-quarter acquisitions of property, plant and equipment amounted to $47.9 million, representing a decrease of $42.5 million, or 47.1%, compared to $90.4 million for the same period of the prior year. The decrease resulted mainly from lower purchases of customer premise equipment ("CPE"), scalable infrastructure and line extension due to the timing of certain initiatives, partly offset by additional support capital expenditures;
- Acquisitions of intangible and other assets amounted to $2.9 million compared to $3.1 million for the same period of fiscal 2016; and
- Fiscal 2017 first-quarter capital intensity reached 16.0% compared to 29.8% for fiscal 2016 mainly as a result of a decrease in acquisitions of capital expenditures.

AMERICAN BROADBAND SERVICES SEGMENT

- Fiscal 2017 first-quarter acquisitions of property, plant and equipment amounted to $34.6 million, representing an increase of $2.0 million, or 6.1%, compared to $32.6 million for fiscal 2016. The increase is mainly due to the acquisitions of scalable infrastructure to improve our network in some of the areas we serve and the PSU growth;
- Acquisitions of intangible and other assets amounted to $1.2 million compared to $0.8 million the same period of fiscal 2016; and
- Fiscal 2017 first-quarter capital intensity remained stable at 22.4% compared to the same period of the prior year.

BUSINESS ICT SERVICES SEGMENT

- Fiscal 2017 first-quarter acquisitions of property, plant and equipment amounted to $8.5 million, representing a decrease of $9.9 million, or 53.9%, compared to $18.4 million for the same period of the prior year. The decrease is due to a greater focus on capital expenditure optimization combined with the timing of certain initiatives;
- Acquisitions of intangible and other assets amounted to $1.4 million compared to $1.0 million the same period of fiscal 2016; and
- Fiscal 2017 first-quarter capital intensity reached 13.5% compared to 24.7% for the same period of the prior year mainly as a result of a decrease in acquisitions of property, plant and equipment, intangible and other assets, partly offset by a decline in revenue.

BUSINESS COMBINATION IN FISCAL 2017

On September 1, 2016, Cogeco Connexion completed the acquisition of all the shares of Briand et Moreau Câble Inc., a regional cable company operating in Gaspésie (Québec), which served 1,439 video service and 808 Internet service customers at September 1, 2016.

6.3 FREE CASH FLOW AND FINANCING ACTIVITIES

FREE CASH FLOW

Fiscal 2017 first-quarter free cash flow amounted to $101.4 million, an increase of $61.3 million, compared to $40.0 million during the same period of the prior year mainly due to the following:

- the decrease of $49.8 million in acquisitions of property, plant and equipment, intangible and other assets resulting from the timing of certain initiatives mainly in the Canadian broadband services segment combined with a greater focus on capital expenditure optimization in the Business ICT services segment; and
- the improvement of $5.6 million in adjusted EBITDA.

FINANCING ACTIVITIES

For fiscal 2017 first-quarter, a lower Indebtedness level resulting from debt repayments led to a cash decrease of $31.0 million compared to a lower Indebtedness for the same period of fiscal 2016 that resulted in a cash decrease of $53.3 million.

Quarters ended November 30,	2016	2015	Change	Explanations
(in thousands of dollars)	$	$	$	
Increase in bank indebtedness	17,760	37,986	(20,226)	Related to the timing of payments made to suppliers.
Net increases (decreases) under the revolving facilities	(31,095)	133,545	(164,640)	Repayments of $31.1 million of the revolving facilities in the first quarter of fiscal 2017 compared to an increase of $133.5 million in the same period of fiscal 2016.
Repayments of long-term debt and settlement of derivative financial instruments	(17,638)	(224,865)	207,227	Repayments in the first quarter of fiscal 2017 of long-term debt. Repayments in the first quarter of fiscal 2016 of long-term debt and the settlement of derivative financial instruments of $224.9 million mainly related to the US$190 million Senior Secured Notes Series A maturing in October 2015.
	(30,973)	(53,334)	22,361	

DIVIDENDS

During the first quarter of fiscal 2017, a quarterly eligible dividend of $0.43 per share was paid to the holders of multiple and subordinate voting shares, for a total paid of $21.2 million compared to a quarterly eligible dividend paid of $0.39, or $19.1 million in the first quarter of fiscal 2016.

6.4 DIVIDEND DECLARATION

At its January 11, 2017 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.43 per share for multiple and subordinate voting shares, payable on February 8, 2017 to shareholders of record on January 25, 2017. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

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

The variations are as follows:

(in thousands of dollars)	November 30, 2016 $	August 31, 2016 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**43,541**	62,286	(18,745)	Timing of payments made to suppliers, partly offset by excess cash flow generated from operations.
Trade and other receivables	**122,870**	115,435	7,435	Mostly related to the revenue growth.
Income taxes receivable	**9,146**	12,701	(3,555)	Mostly related to refund received during the quarter.
Prepaid expenses and other	**23,838**	16,208	7,630	Increase in prepayment of annual maintenance agreements.
Derivative financial instrument	**—**	1,040	(1,040)	Non significant.
	199,395	207,670	(8,275)	
Current liabilities				
Bank indebtedness	**21,875**	4,115	17,760	Timing of payments made to suppliers.
Trade and other payables	**208,074**	289,668	(81,594)	Timing of payments made to suppliers.
Provisions	**32,928**	30,688	2,240	Non significant.
Income tax liabilities	**40,720**	26,680	14,040	Timing of payments of income taxes.
Deferred and prepaid revenue	**62,016**	61,316	700	Non significant.
Derivative financial instruments	**156**	—	156	Non significant.
Balance due on a business combination	**896**	—	896	Non significant.
Intercompany note payable	**40,000**	40,000	—	No change.
Current portion of long-term debt	**13,100**	22,516	(9,416)	Repayments of long-term debt.
	419,765	474,983	(55,218)	
Working capital deficiency	**(220,370)**	(267,313)	46,943	

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	November 30, 2016 $	August 31, 2016 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**1,982,202**	1,989,720	(7,518)	Depreciation expense exceeding capital expenditures combined with the depreciation of the British Pound against the Canadian dollar, party offset by the appreciation of the US dollar against the Canadian dollar.
Intangible assets	**2,075,659**	2,059,548	16,111	Appreciation of the US dollar against the Canadian dollar, partly offset by amortization expense exceeding acquisitions and the depreciation of the British Pound against the Canadian dollar.
Goodwill	**1,080,079**	1,060,780	19,299	Appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation of the British Pound against the Canadian dollar.
Non-current liabilities				
Long-term debt	**2,845,707**	2,838,130	7,577	Appreciation of the US dollar against the Canadian dollar, partly offset by the repayments on the Term Revolving Facility and First Lien Credit Facilities.
Deferred tax liabilities	**611,187**	601,127	10,060	Appreciation of the US dollar against the Canadian dollar.

7.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at December 31, 2016 is presented in the table below. Additional details are provided in Note 11 of the consolidated financial statements.

(in thousands of dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	15,691,100	98,346
Subordinate voting shares	33,712,531	926,990
Options to purchase subordinate voting shares		
Outstanding options	769,251	
Exercisable options	291,647	

7.4 FINANCING

In the normal course of business, Cogeco Communications has incurred financial obligations, primarily in the form of long-term debt, operating and finance leases and guarantees. Cogeco Communications' obligations, as reported in the 2016 Annual Report, have not materially changed since August 31, 2016.

On November 30, 2016, the Corporation had used $121.3 million of its $800 million Term Revolving Facility for a remaining availability of $678.7 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Revolving Facility of $201.4 million (US$150 million), of which $97.2 million (US$72.4 million) was used at November 30, 2016 for a remaining availability of $104.2 million (US$77.6 million).

7.5 CREDIT RATINGS

On December 14, 2016, strictly as a result of a general change in methodology, S&P Global Ratings lowered its issue-level rating on Cogeco Communications Inc.'s Senior secured debt to « BBB- » from « BBB », following the publication on December 7, 2016 of its revised criteria for rating debt issues of speculative-grade corporate issuers. Under the revised criteria, the ratings of debt instruments issued by companies with an issuer's rating of « BB+ » are now typically not notched up more than one level above the issuer rating. The secured debt rating downgrade to « BBB- » therefore does not reflect a change in Cogeco Communications' underlying credit profile. S&P's secured debt rating is now aligned with DBRS's and Fitch's secured debt ratings.

7.6 FINANCIAL MANAGEMENT

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2016, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility, intercompany note payable and First Lien Credit Facilities.

To reduce such risk, the Corporation enters into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 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 the unhedged portion of these facilities is approximately $7.0 million based on the outstanding debt at November 30, 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. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

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 approximately $7.5 million based on the outstanding debt at November 30, 2016.

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

The following table shows the net investments in foreign operations outstanding at November 30, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$891.2 million	Net investments in foreign operations in US dollar
Net investment	£23.7 million	£29.9 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 November 30, 2016 was $1.3429 ($1.3116 at August 31, 2016) per US dollar and $1.6798 ($1.7223 at August 31, 2016) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change comprehensive income by approximately $14.6 million.

For the first quarter ended November 30, 2016, the average rates prevailing used to convert the operating results of the American broadband services and a portion of the Business ICT services segments were as follows:

Quarters ended November 30,	2016	2015	Change
	$	$	%
US dollar vs Canadian dollar	1.3266	1.3207	0.4
British Pound vs Canadian dollar	1.6755	2.0191	(17.0)

The following table highlights in Canadian dollars, the impact of a 10% increase in the US dollar and British Pound against the Canadian dollar on Cogeco Communications' segmented and consolidated operating results for the period ended November 30, 2016:

	Canadian broadband services		American broadband services		Business ICT services		Consolidated	
	As reported	Exchange rate impact	As reported	Exchange rate impact	As reported	Exchange rate impact	As reported (1)	Exchange rate impact
(in thousands of dollars)	$	$	$	$	$	$	$	$
Revenue	316,835	—	159,981	15,997	73,208	3,793	549,090	19,790
Operating expenses	151,783	889	90,156	9,016	50,239	2,541	294,699	12,446
Management fees - Cogeco Inc.	—	—	—	—	—	—	4,688	—
Adjusted EBITDA	165,052	(889)	69,825	6,981	22,969	1,252	249,703	7,344
Acquisitions of property, plant and equipment, intangible and other assets	50,801	2,078	35,796	3,576	9,897	617	96,494	6,271
Free cash flow	—	—	—	—	—	—	101,379	(716)

(1) The consolidated results do not correspond to the addition of the operating segment's results as inter-segment eliminations and other are not presented.

8. SEGMENTED OPERATING RESULTS

The Corporation reports its operating results in three operating segments: Canadian broadband services, American broadband services and Business ICT services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segment and to assess its performance.

8.1 CANADIAN BROADBAND SERVICES

CUSTOMER STATISTICS

		Net additions (losses) Quarters ended November 30,		% of penetration(2) November 30,	
	November 30, 2016	**2016** (1)	2015	**2016**	2015
PSU	**1,930,909**	**14,645**	6,985		
Video service customers	**740,855**	**93**	(4,149)	**43.3**	45.0
Internet service customers	**749,275**	**14,766**	12,022	**43.8**	42.4
Telephony service customers	**440,779**	**(214)**	(888)	**25.8**	26.9

(1) Excludes 2,247 PSU (1,439 video services and 808 Internet services) from a business combination completed in the first quarter of fiscal 2017.
(2) As a percentage of homes passed.

VIDEO

Fiscal 2017 first-quarter video service customers net additions stood at 93 compared to net losses of 4,149 for the same period of the prior year. The variation is mainly due to the customers' ongoing interest in TiVo's digital advanced video services combined with promotional activities, partly offset by competitive offers in the industry, service category maturity and the changing video consumption environment.

INTERNET

Fiscal 2017 first-quarter Internet service customers net additions stood at 14,766 compared to 12,022 for the same period of the prior year as a result of customers' ongoing interest in TiVo's digital advanced video services which requires an Internet subscription, promotional activities, growth in the business sector and the positive impact of the bundle offers.

TELEPHONY

Fiscal 2017 first-quarter telephony service customers net losses amounted to 214 compared to 888 for the same period of the prior year. The telephony service customers losses are mainly due to the increasing mobile penetration in North America and various unlimited offers launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only.

At November 30, 2016, 72% (71% in 2015) of the Canadian broadband services customers subscribed to two or more services. The distribution of customers by number of services for the Canadian broadband services were: 28% who subscribe to the single play (29% in 2015), 39% to the double-play (36% in 2015) and 33% to the triple-play (35% in 2015).

OPERATING RESULTS

Quarters ended November 30,	**2016**	2015	Change
(in thousands of dollars, except percentages)	**$**	$	%
Revenue	**316,835**	313,547	1.0
Operating expenses	**151,783**	151,123	0.4
Adjusted EBITDA	**165,052**	162,424	1.6
Operating margin	**52.1%**	51.8%	

REVENUE

Fiscal 2017 first-quarter revenue amounted to $316.8 million, an increase of $3.3 million, or 1.0%, compared to $313.5 million for the same period of fiscal 2016 as a result of rate increases implemented in February 2016 combined with the continued growth in residential and commercial Internet customers, partly offset by a decline in video and telephony customers. In addition, revenue has been negatively impacted as a result of the decision of the CRTC, on October 6, 2016, to reduce significantly on an interim basis the third party Internet access ("TPIA") capacity rates.

OPERATING EXPENSES

Fiscal 2017 first-quarter operating expense remained essentially the same at $151.8 million compared to $151.1 million for the same period of the prior year resulting from programming rate increases, partly offset by lower PSU combined with the timing of marketing initiatives.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2017 first-quarter adjusted EBITDA amounted to $165.1 million, an increase of $2.6 million, or 1.6%, compared to the same period of the prior year mainly due to an increase in revenue and consequently, the operating margin increased from 51.8% to 52.1% compared to the same period of fiscal 2016.

8.2 AMERICAN BROADBAND SERVICES

CUSTOMER STATISTICS

		Net additions (losses)		% of penetration[1]	
		Quarters ended November 30,		November 30,	
	November 30, 2016	2016	2015	2016	2015
PSU	596,693	2,960	6,292		
Video service customers	240,827	(2,805)	(1,414)	40.7	42.0
Internet service customers	258,335	4,671	6,642	43.7	40.1
Telephony service customers	97,531	1,094	1,064	16.5	15.8

(1) As a percentage of homes passed.

VIDEO

Fiscal 2017 first-quarter video service customers net losses stood at 2,805 compared to 1,414 for the same period of the prior year. The higher decrease resulted mainly from higher churn following the implementation of rate increases in September 2016 and the changing video consumption environment, partly offset by the customers' ongoing interest in TiVo's digital advanced video services.

INTERNET

Fiscal 2017 first-quarter Internet service customers net additions stood at 4,671 compared to 6,642 for the same period of the prior year. The net additions stemmed from the continued growth of TiVo's digital video services which requires an Internet subscription, growth in the business sector and the positive impact of the bundle offers.

TELEPHONY

Fiscal 2017 first-quarter telephony service customers net additions remained essentially the same at 1,094 compared to 1,064 for the same period of the prior year.

At November 30, 2016, 56% (57% in 2015) of the American broadband services customers subscribed to two or more services. The distribution of customers by number of services for the American broadband services were: 44% (43% in 2015) who subscribe to the single play, 36% (36% in 2015) to the double-play and 20% (21% in 2015) to the triple-play.

OPERATING RESULTS

Quarters ended November 30,	2016	2015	Change
(in thousands of dollars, except percentages)	$	$	%
Revenue	159,981	149,573	7.0
Operating expenses	90,156	84,202	7.1
Adjusted EBITDA	69,825	65,371	6.8
Operating margin	43.6%	43.7%	

REVENUE

Fiscal 2017 first-quarter revenue increased by $10.4 million, or 7.0%, to reach $160.0 million compared to the same period of the prior year. Revenue increased primarily as a result of the organic growth through PSU progression for the Internet and telephony services, growth in the commercial sector combined with rate increases implemented in September 2016, partly offset by higher churn following the implementation of these rate increases.

Fiscal 2017 first-quarter revenue in local currency amounted to US$120.6 million compared to US$113.3 million for the same period of fiscal 2016, representing an increase of US$7.3 million, or 6.5%.

OPERATING EXPENSES

Fiscal 2017 first-quarter operating expenses increased by $6.0 million, or 7.1%, to reach $90.2 million compared to the same period of the prior year. The increase is mainly due to higher programming costs combined with the costs to serve additional PSU and additional marketing initiatives to improve PSU growth.

Fiscal 2017 first-quarter operating expenses in local currency amounted to US$68.0 million compared to US$63.8 million for the same period of fiscal 2016, representing increase of US$4.2 million, or 6.6%.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2017 first-quarter adjusted EBITDA increased by $4.5 million, or 6.8%, to reach $69.8 million compared to $65.4 million for the same period of fiscal 2016. Operating margin remained essentially the same at 43.6% compared to 43.7% for the same period of the prior year.

Fiscal 2017 first-quarter adjusted EBITDA in local currency amounted to US$52.6 million compared to US$49.5 million for the same period of the prior year, representing an increase of US$3.1 million, or 6.3%.

8.3 BUSINESS ICT SERVICES

OPERATING RESULTS

Quarters ended November 30,	2016	2015	Change
(in thousands of dollars, except percentages)	$	$	%
Revenue	73,208	78,102	(6.3)
Operating expenses	50,239	51,858	(3.1)
Adjusted EBITDA	22,969	26,244	(12.5)
Operating margin	31.4%	33.6%	

REVENUE

Fiscal 2017 first-quarter revenue decreased by $4.9 million, or 6.3%, to reach $73.2 million compared to the same period of fiscal 2016. The decline is primarily due to competitive pricing pressures on the hosting and network connectivity services and the depreciation of the British Pound currency against the Canadian dollar compared to the same period of the prior year.

OPERATING EXPENSES

Fiscal 2017 first-quarter operating expenses decreased by $1.6 million, or 3.1%, to reach $50.2 million compared to the same period of the prior year mainly due to a $1.8 million gain on disposal of property, plant and equipment.

ADJUSTED EBITDA AND OPERATING MARGIN

Fiscal 2017 first-quarter adjusted EBITDA decreased by $3.3 million, or 12.5%, to reach $23.0 million compared to the same period of the prior year as a result of revenue decline. Consequently, operating margin decreased to 31.4% from 33.6% compared to fiscal 2016 first-quarter.

9. 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 Communications' internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR at November 30, 2016, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three-month period ended November 30, 2016.

10. UNCERTAINTIES AND MAIN RISK FACTORS

A detailed description of the uncertainties and main risk factors faced by Cogeco Communications can be found in the 2016 Annual Report, available at www.sedar.com and corpo.cogeco.com. The following update should be read together with the uncertainties and main risk factors described in the 2016 Annual Report, which are hereby incorporated by reference.

On April 9, 2015, the Canadian Radio-Television and Telecommunications Commissions ("CRTC") initiated a public consultation aiming to review the basic telecommunications services that should be available and affordable to all Canadians. In this proceeding, the CRTC specifically considered whether the broadband Internet access service should be included in the current definition of the basic telecommunications services and examined whether the existing subsidy regime for local telephone service should be changed to fund the expansion of the Internet access service in rural and remote areas.

On December 21, 2016, the CRTC issued its decision and determined that broadband internet access is now considered a basic telecommunications service for all Canadians. It is creating a new fund to support projects aiming to build or upgrade infrastructure for fixed and mobile broadband internet access services in order to meet specific targets. The Fund will make available up to $750 million over the first five years. While the Commission does not intend to remove the existing subsidy regime for local telephone service unless reliable broadband Internet access service is available, the current contribution-subsidy regime for local telephone service will largely be transitioned to the new funding mechanism. Furthermore, the current funding will be expanded to include both retail Internet access and texting services revenues. This change to the calculation of the revenue-percent charge will take effect in the first year of implementation of the new fund and it is expected, according to the Commission, that the revenue-percent charge will be approximately the same as the current revenue-percent charge of 0.63%. A follow-up proceeding will be initiated in early 2017 to examine all matters related to the new funding mechanism and how the existing local subsidy regime should be phased out.

11. ACCOUNTING POLICIES

11.1 NEW ACOUNTING STANDARDS

A number of new standards, interpretations and amendments to existing standards were issued by the *International Accounting Standards Board* ("IASB") that are mandatory but not yet effective for the three-month period ended November 30, 2016 and have not been applied in preparing the condensed interim consolidated financial statements. These standards are described under the "Future accounting developments in Canada" section in the Corporation's 2016 Annual Report available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

11.2 CHANGES IN CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Cogeco Communications' critical accounting policies and estimates since August 31, 2016, except as mentioned below. A description of the Corporation's policies and estimates can be found in the 2016 Annual Report, available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

During 2016, the *IFRS Interpretations Committee* ("IFRIC") received a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax. Through the process of considering this question, the IFRIC clarified that an entity should use the tax rate associated with the expected manner of recovery to measure deferred taxes. Further, the fact that an indefinite life intangible asset is not being amortized is not in and of itself evidence that the manner of recovery will be through sale. In response to this clarification, the Corporation retrospectively changed its accounting policy as of September 1, 2016 and has restated the prior period for this change as further explained below.

IAS 12, *Income Taxes*, states that measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities. The carrying value is recovered in the form of economic benefits that flow to the entity in future periods, thereby the assets are recovered through sale or recovered through use.

In applying the new interpretation, the Corporation has now determined that the benefit of its Cable Distribution Licenses will flow to the Corporation on an annual basis, and thereby the carrying amount will be recovered through use, and as a result, will be subject to a higher tax rate.

Consequently, the Corporation changed its accounting policy with respect to the tax rate used in determining the deferred tax assets and liabilities at the reporting date. The Corporation believes this change in accounting policy will better reflect how the assets will be recovered by the Corporation. The change in accounting policy was applied retrospectively and resulted in the following changes to the Corporation's consolidated financial statements:

	As previously reported	Effect of change in accounting policy	As currently reported
	$	$	$
Balance at August 31, 2015			
Deferred tax assets	12,086	(4,093)	7,993
Deferred tax liabilities	514,194	112,134	626,328
Retained earnings	660,999	(116,227)	544,772
Balance at August 31, 2016			
Deferred tax assets	11,680	(4,093)	7,587
Deferred tax liabilities	488,993	112,134	601,127
Retained earnings	389,720	(116,227)	273,493

12. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Communications 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”, “adjusted EBITDA”, “operating margin” and "capital intensity" 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 measures
Free cash flow	Management and investors use free cash flow to measure Cogeco Communications' 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 and Operating margin	Adjusted EBITDA and operating margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 3 of the Condensed Interim Consolidated Financial Statements.	Adjusted EBITDA: - Profit for the period add: - income taxes; - financial expense; - depreciation and amortization; and - integration, restructuring and acquisition costs.	Profit for the period
		Operating margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS measure
Capital intensity	Capital intensity is used by Cogeco Communications’ management and investors to assess the Corporation’s investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment; and - acquisition of intangible and other assets divided by: - Revenue	No comparable IFRS measure

12.1 FREE CASH FLOW RECONCILIATION

Quarters ended November 30,	2016	2015
(in thousands of dollars)	$	$
Cash flow from operating activities	123,461	96,093
Amortization of deferred transaction costs and discounts on long-term debt	2,191	2,299
Changes in non-cash operating activities	80,392	57,574
Income taxes paid	3,661	41,813
Current income taxes	(21,425)	(24,117)
Financial expense paid	41,683	46,052
Financial expense	(32,090)	(33,353)
Acquisition of property, plant and equipment	(90,962)	(141,422)
Acquisition of intangible and other assets	(5,532)	(4,897)
Free cash flow	101,379	40,042

12.2 ADJUSTED EBITDA AND OPERATING MARGIN RECONCILIATION

Quarters ended November 30,	2016	2015
(in thousands of dollars, except percentages)	$	$
Profit for the period	75,024	61,106
Income taxes	23,513	21,984
Financial expense	32,090	33,353
Depreciation and amortization	119,076	125,669
Integration, restructuring and acquisition costs	—	2,030
Adjusted EBITDA	249,703	244,142
Revenue	549,090	540,313
Operating margin	45.5%	45.2%

12.3 CAPITAL INTENSITY RECONCILIATION

Quarters ended November 30,	2016	2015
(in thousands of dollars, except percentages)	$	$
Acquisition of property, plant and equipment	90,962	141,422
Acquisition of intangible and other assets	5,532	4,897
Total acquisitions of property, plant and equipment, intangible and other assets	96,494	146,319
Revenue	549,090	540,313
Capital intensity	17.6%	27.1%

13. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	November 30,		August 31,		May 31,		February 29,	February 28,
(in thousands of dollars, except percentages and per share data)	**2016**	2015	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$	$	$
Revenue	**549,090**	540,313	544,056	520,419	540,257	516,426	551,523	509,470
Adjusted EBITDA	**249,703**	244,142	247,810	240,592	243,115	239,763	248,382	231,264
Operating margin	**45.5%**	45.2%	45.5%	46.2%	45.0%	46.4%	45.0%	45.4%
Integration, restructuring and acquisition costs	**—**	2,030	1,326	6,942	1,126	5,669	4,320	1,339
Claims and litigations	**—**	—	292	(27,431)	10,499	—	—	—
Impairment of goodwill and intangible assets	**—**	—	—	—	450,000	—	—	—
Profit (loss) for the period	**75,024**	61,106	74,581	77,986	(387,357)	64,149	62,042	58,906
Cash flow from operating activities	**123,461**	96,093	261,623	271,328	181,498	197,279	205,954	198,195
Acquisitions of property, plant and equipment, intangible and other assets	**96,494**	146,319	110,017	129,946	94,442	103,718	116,732	102,673
Free cash flow	**101,379**	40,042	81,594	72,047	84,664	75,845	74,698	73,136
Capital intensity	**17.6%**	27.1%	20.2%	25.0%	17.5%	20.1%	21.2%	20.2%
Earnings (loss) per share[(1)]								
Basic	**1.53**	1.25	1.52	1.59	(7.89)	1.31	1.27	1.21
Diluted	**1.52**	1.24	1.52	1.58	(7.89)	1.30	1.26	1.19
Dividends per share	**0.43**	0.39	0.39	0.35	0.39	0.35	0.39	0.35

(1) Per multiple and subordinate voting share.

13.1 SEASONAL VARIATIONS

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

14. ADDITIONAL INFORMATION

This MD&A was prepared on January 11, 2017. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

/s/ Jan Peeters
Jan Peeters
Chairman of the Board

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

Cogeco Communications Inc.
Montréal, Québec
January 11, 2017

COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-month period ended November 30, 2016

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

		Three months ended November 30,	
	Notes	**2016**	2015
(In thousands of Canadian dollars, except per share data)		**$**	$
Revenue	*3*	**549,090**	540,313
Operating expenses	*5*	**294,699**	291,583
Management fees – Cogeco Inc.		**4,688**	4,588
Integration, restructuring and acquisition costs		**—**	2,030
Depreciation and amortization	*6*	**119,076**	125,669
Financial expense	*7*	**32,090**	33,353
Income taxes	*8*	**23,513**	21,984
Profit for the period		**75,024**	61,106
Earnings per share			
Basic	*9*	**1.53**	1.25
Diluted	*9*	**1.52**	1.24

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended November 30,	
	2016	2015
(In thousands of Canadian dollars)	**$**	$
Profit for the period	**75,024**	61,106
Other comprehensive income		
Items to be subsequently reclassified to profit or loss		
Cash flow hedging adjustments		
Net change in fair value of hedging derivative financial instruments	**1,027**	(48,169)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**—**	48,108
Related income taxes	**(272)**	67
	755	6
Foreign currency translation adjustments		
Net foreign currency translation differences on net investments in foreign operations	**16,050**	12,779
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(13,733)**	(8,125)
Related income taxes	**(186)**	—
	2,131	4,654
	2,886	4,660
Items not to be subsequently reclassified to profit or loss		
Defined benefit plans actuarial adjustments		
Remeasurement of net defined benefit liability	**4,098**	551
Related income taxes	**(1,086)**	(148)
	3,012	403
Other comprehensive income for the period	**5,898**	5,063
Comprehensive income for the period	**80,922**	66,169

COGECO COMMUNICATIONS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(In thousands of Canadian dollars)	Share capital $	Share-based payment reserve $	Accumulated other comprehensive income $	Retained earnings $	Total shareholders' equity $
	(Note 11)		*(Note 12)*	*(restated, Note 2)*	
Balance at August 31, 2015	1,001,618	12,535	83,820	544,772	1,642,745
Profit for the period	—	—	—	61,106	61,106
Other comprehensive income for the period	—	—	4,660	403	5,063
Comprehensive income for the period	—	—	4,660	61,509	66,169
Issuance of subordinate voting shares under the Stock Option Plan	764	—	—	—	764
Share-based payment	—	1,858	—	—	1,858
Share-based payment previously recorded in share-based payment reserve for options exercised	137	(137)	—	—	—
Dividends on multiple voting shares (Note 11 C))	—	—	—	(6,120)	(6,120)
Dividends on subordinate voting shares (Note 11 C))	—	—	—	(12,969)	(12,969)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(4,575)	—	—	—	(4,575)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	2,127	(1,731)	—	(396)	—
Total distributions to shareholders	(1,547)	(10)	—	(19,485)	(21,042)
Balance at November 30, 2015	1,000,071	12,525	88,480	586,796	1,687,872
Balance at August 31, 2016	**1,008,467**	**13,328**	**84,627**	**273,493**	**1,379,915**
Profit for the period	**—**	**—**	**—**	**75,024**	**75,024**
Other comprehensive income for the period	**—**	**—**	**2,886**	**3,012**	**5,898**
Comprehensive income for the period	**—**	**—**	**2,886**	**78,036**	**80,922**
Issuance of subordinate voting shares under the Stock Option Plan	**1,812**	**—**	**—**	**—**	**1,812**
Share-based payment	**—**	**933**	**—**	**—**	**933**
Share-based payment previously recorded in share-based payment reserve for options exercised	**361**	**(361)**	**—**	**—**	**—**
Dividends on multiple voting shares (Note 11 C))	**—**	**—**	**—**	**(6,747)**	**(6,747)**
Dividends on subordinate voting shares (Note 11 C))	**—**	**—**	**—**	**(14,410)**	**(14,410)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(3,436)**	**—**	**—**	**—**	**(3,436)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,851**	**(3,638)**	**—**	**(213)**	**—**
Total contributions by (distributions to) shareholders	**2,588**	**(3,066)**	**—**	**(21,370)**	**(21,848)**
Balance at November 30, 2016	**1,011,055**	**10,262**	**87,513**	**330,159**	**1,438,989**

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

(In thousands of Canadian dollars)	*Notes*	November 30, 2016 $	August 31, 2016 $
			(restated, Note 2)
Assets			
Current			
Cash and cash equivalents	*13 B)*	43,541	62,286
Trade and other receivables		122,870	115,435
Income taxes receivable		9,146	12,701
Prepaid expenses and other		23,838	16,208
Derivative financial instrument		—	1,040
		199,395	207,670
Non-current			
Other assets		6,671	7,944
Property, plant and equipment		1,982,202	1,989,720
Intangible assets		2,075,659	2,059,548
Goodwill		1,080,079	1,060,780
Derivative financial instrument		862	—
Deferred tax assets		6,895	7,587
		5,351,763	5,333,249
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		21,875	4,115
Trade and other payables		208,074	289,668
Provisions		32,928	30,688
Income tax liabilities		40,720	26,680
Deferred and prepaid revenue		62,016	61,316
Balance due on a business combination	*4*	896	—
Derivative financial instruments		156	—
Intercompany note payable - Cogeco Inc.	*16*	40,000	40,000
Current portion of long-term debt	*10*	13,100	22,516
		419,765	474,983
Non-current			
Long-term debt	*10*	2,845,707	2,838,130
Derivative financial instruments		—	165
Deferred and prepaid revenue and other liabilities		30,960	30,120
Pension plan liabilities and accrued employee benefits		5,155	8,809
Deferred tax liabilities		611,187	601,127
		3,912,774	3,953,334
Shareholders' equity			
Share capital	*11 B)*	1,011,055	1,008,467
Share-based payment reserve		10,262	13,328
Accumulated other comprehensive income	*12*	87,513	84,627
Retained earnings		330,159	273,493
		1,438,989	1,379,915
		5,351,763	5,333,249

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

		Three months ended November 30,	
	Notes	**2016**	2015
(In thousands of Canadian dollars)		**$**	$
Cash flow from operating activities			
Profit for the period		**75,024**	61,106
Adjustments for:			
Depreciation and amortization	*6*	**119,076**	125,669
Financial expense	*7*	**32,090**	33,353
Income taxes	*8*	**23,513**	21,984
Share-based payment	*11 D)*	**1,021**	1,903
Loss (gain) on disposals of property, plant and equipment		**(1,860)**	297
Defined benefit plans contributions, net of expense		**333**	(2,780)
		249,197	241,532
Changes in non-cash operating activities	*13 A)*	**(80,392)**	(57,574)
Financial expense paid		**(41,683)**	(46,052)
Income taxes paid		**(3,661)**	(41,813)
		123,461	96,093
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(90,962)**	(141,422)
Acquisition of intangible and other assets		**(5,532)**	(4,897)
Business combination, net of cash and cash equivalents acquired		**(804)**	—
Proceeds on disposals of property, plant and equipment		**8,092**	299
		(89,206)	(146,020)
Cash flow from financing activities			
Increase in bank indebtedness		**17,760**	37,986
Net increases (decreases) under the revolving facilities		**(31,095)**	133,545
Repayments of long-term debt and settlement of derivative financial instruments		**(17,638)**	(224,865)
Issuance of subordinate voting shares	*11 B)*	**1,812**	764
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*11 B)*	**(3,436)**	(4,575)
Dividends paid on multiple voting shares	*11 C)*	**(6,747)**	(6,120)
Dividends paid on subordinate voting shares	*11 C)*	**(14,410)**	(12,969)
		(53,754)	(76,234)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**754**	669
Net change in cash and cash equivalents		**(18,745)**	(125,492)
Cash and cash equivalents, beginning of the period		**62,286**	163,166
Cash and cash equivalents, end of the period		**43,541**	37,674

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation" or the "Parent Corporation") is a Canadian public communications corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA". Operating in Canada under Cogeco Connexion Inc. ("Cogeco Connexion") in Québec and Ontario, and in the United States under Atlantic Broadband LLC ("Atlantic Broadband") in western Pennsylvania, southern Florida, Maryland/Delaware, South Carolina and eastern Connecticut. Cogeco Communications provides residential and business customers with video, Internet and telephony services through its two-way broadband fibre networks. Through its subsidiary Cogeco Peer 1 Inc. ("Cogeco Peer 1"), the Corporation provides its business customers with a suite of information technology services (colocation, network connectivity, hosting, cloud services and managed services), through its 16 data centres, extensive FastFiber Network™ and more than 50 points of presence in North America and Europe.

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which holds 31.8% of the Corporation's equity shares, representing 82.3% of the votes attached to the Corporation's voting shares.

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all the information required for annual financial statements. Certain information and footnote disclosure included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information. As such, these condensed interim consolidated financial statements should be read in conjunction with the Corporation's 2016 annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared with the accounting policies the Corporation adopted in its 2016 annual consolidated financial statements, except as mentioned in Note 2. The accounting policies have been applied consistently to all periods presented in the condensed interim consolidated financial statements unless otherwise indicated.

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

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

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

The condensed interim consolidated financial statements were approved by the Board of Directors of the Corporation at its meeting held on January 11, 2017.

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

2. CHANGE IN ACCOUNTING POLICY

During 2016, the *IFRS Interpretations Committee* ("IFRIC") received a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax. Through the process of considering this question, the IFRIC clarified that an entity should use the tax rate associated with the expected manner of recovery to measure deferred taxes. Further, the fact that an indefinite life intangible asset is not being amortized is not in and of itself evidence that the manner of recovery will be through sale. In response to this clarification, the Corporation retrospectively changed its accounting policy as of September 1, 2016 and has restated the prior period for this change as further explained below.

IAS 12, *Income Taxes*, states that measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities. The carrying value is recovered in the form of economic benefits that flow to the entity in future periods, thereby the assets are recovered through sale or recovered through use.

In applying the new interpretation, the Corporation has now determined that the benefit of its Cable Distribution Licenses will flow to the Corporation on an annual basis, and thereby the carrying amount will be recovered through use, and as a result, will be subject to a higher tax rate.

Consequently, the Corporation changed its accounting policy with respect to the tax rate used in determining the deferred tax assets and liabilities at the reporting date. The Corporation believes this change in accounting policy will better reflect how the assets will be recovered by the Corporation. The change in accounting policy was applied retrospectively and resulted in the following changes to the Corporation's consolidated financial statements:

	As previously reported	Effect of change in accounting policy	As currently reported
	$	$	$
Balance at August 31, 2015			
Deferred tax assets	12,086	(4,093)	7,993
Deferred tax liabilities	514,194	112,134	626,328
Retained earnings	660,999	(116,227)	544,772
Balance at August 31, 2016			
Deferred tax assets	11,680	(4,093)	7,587
Deferred tax liabilities	488,993	112,134	601,127
Retained earnings	389,720	(116,227)	273,493

3. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in three operating segments: Canadian broadband services, American broadband services and Business information and communications technology ("Business ICT") services. 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 Canadian and American broadband services segments provide a wide range of video, Internet and telephony services primarily to residential customers and also provide business services to small and medium sized businesses across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the Provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in western Pennsylvania, southern Florida, Maryland/Delaware, South Carolina and eastern Connecticut.

The Business ICT services segment provides colocation, network connectivity, hosting, cloud and a rich portfolio of managed services primarily in Canada, the United States and Europe to small, medium and large enterprises around the globe. Cogeco Peer 1 provides these services in the following key vertical markets: online retail, financial services, technology, public sector, education, health care, business services, manufacturing, media and online gaming. Cogeco Peer 1 provides its services through 16 data centres and more than 50 points of presence in North America and Europe. The activities of the Business ICT services segment are carried out across Canada (British Columbia, Ontario, Québec), the United States (California, Texas, Virginia, Florida and Georgia) and Europe (London and Southampton, United Kingdom ("UK") and France).

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to revenue less operating expenses. The other expenses, except for management fees, financial expense and income taxes, are reported by segment solely for external reporting purposes. Management fees, financial expense and income taxes are managed on a consolidated basis and, accordingly, are not reflected in segmented results. The Inter-segment eliminations and other, eliminate any intercompany transactions included in each segment's operating results and include head office activities. Transactions between operating segments are measured at the amounts agreed to between the parties.

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

					Three months ended November 30, 2016
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	316,835	159,981	73,208	(934)	549,090
Operating expenses	151,783	90,156	50,239	2,521	294,699
Management fees – Cogeco Inc.	—	—	—	4,688	4,688
Segment profit (loss)	165,052	69,825	22,969	(8,143)	249,703
Depreciation and amortization	58,336	33,326	27,339	75	119,076
Financial expense					32,090
Income taxes					23,513
Profit for the period					75,024
Property, plant and equipment	1,098,548	463,493	419,482	679	1,982,202
Intangible assets	991,276	987,964	96,419	—	2,075,659
Goodwill	4,662	803,407	272,010	—	1,080,079
Acquisition of property, plant and equipment	47,869	34,629	8,464	—	90,962
Acquisition of intangible and other assets	2,932	1,167	1,433	—	5,532

(1) Revenue by geographic market includes $358,690 in Canada, $182,341 in the United States and $8,059 in Europe.

					Three months ended November 30, 2015
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	313,547	149,573	78,102	(909)	540,313
Operating expenses	151,123	84,202	51,858	4,400	291,583
Management fees – Cogeco Inc.	—	—	—	4,588	4,588
Segment profit (loss)	162,424	65,371	26,244	(9,897)	244,142
Integration, restructuring and acquisition costs (2)	—	432	1,598	—	2,030
Depreciation and amortization	61,080	31,498	33,016	75	125,669
Financial expense					33,353
Income taxes					21,984
Profit for the period					61,106
Property, plant and equipment (3)	1,106,192	444,666	438,108	754	1,989,720
Intangible assets (3)	988,957	970,790	99,801	—	2,059,548
Goodwill (3)	4,662	784,680	271,438	—	1,060,780
Acquisition of property, plant and equipment	90,410	32,636	18,358	18	141,422
Acquisition of intangible and other assets	3,145	797	955	—	4,897

(1) Revenue by geographic market includes $353,764 in Canada, $176,573 in the United States and $9,976 in Europe.

(2) Comprised of acquisition and integration costs in the American broadband services segment and restructuring costs in the Business ICT services segment.

(3) At August 31, 2016.

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

The following tables set out certain geographic market information at November 30, 2016 and August 31, 2016:

				At November 30, 2016
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,427,592	519,567	35,043	1,982,202
Intangible assets	1,051,529	1,018,528	5,602	2,075,659
Goodwill	221,867	843,739	14,473	1,080,079

				At August 31, 2016
	Canada	United States	Europe	Total
	$	$	$	$
Property, plant and equipment	1,450,350	502,357	37,013	1,989,720
Intangible assets	1,051,192	1,002,134	6,222	2,059,548
Goodwill	221,867	824,074	14,839	1,060,780

4. BUSINESS COMBINATION

On September 1, 2016, Cogeco Connexion completed the acquisition of all the shares of Briand et Moreau Câble Inc., a regional cable company operating in Gaspésie (Québec), which served 1,439 video service and 808 Internet service customers at September 1, 2016.

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

	Preliminary
	November 30, 2016
	$
Purchase price	
Consideration paid	880
Balance due on a business combination	896
	1,776
Net assets acquired	
Cash and cash equivalents	76
Trade and other receivables	70
Prepaid expenses and other	9
Property, plant and equipment	204
Intangible assets	2,296
Trade and other payables assumed	(102)
Income tax liabilities	(13)
Deferred and prepaid revenue	(10)
Deferred tax liabilities	(549)
Long-term debt assumed	(205)
	1,776

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

5. OPERATING EXPENSES

	Three months ended November 30,	
	2016	2015
	$	$
Salaries, employee benefits and outsourced services	**87,267**	87,665
Service delivery costs (1)	**162,745**	157,949
Customer related costs (2)	**17,225**	17,984
Other external purchases (3)	**27,462**	27,985
	294,699	291,583

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, data centre expenses, franchise fees and network costs.
(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.
(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals of property, plant and equipment, and other administrative expenses.

6. DEPRECIATION AND AMORTIZATION

	Three months ended November 30,	
	2016	2015
	$	$
Depreciation of property, plant and equipment	**103,578**	108,051
Amortization of intangible assets	**15,498**	17,618
	119,076	125,669

7. FINANCIAL EXPENSE

	Three months ended November 30,	
	2016	2015
	$	$
Interest on long-term debt	**31,513**	33,608
Net foreign exchange gains	**(497)**	(1,670)
Amortization of deferred transaction costs	**613**	592
Capitalized borrowing costs (1)	**(654)**	(366)
Other	**1,115**	1,189
	32,090	33,353

(1) For the three-month periods ended November 30, 2016 and 2015, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

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

8. INCOME TAXES

	Three months ended November 30,	
	2016	2015
	$	$
Current	**21,425**	24,117
Deferred	**2,088**	(2,133)
	23,513	21,984

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

	Three months ended November 30,	
	2016	2015
	$	$
Profit before income taxes	**98,537**	83,090
Combined Canadian income tax rate	**26.50%**	26.65%
Income taxes at combined Canadian income tax rate	**26,112**	22,145
Adjustment for losses or profit subject to lower or higher tax rates	**3,040**	1,977
Revaluation of deferred tax assets	**376**	—
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**(1,714)**	1,681
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(73)**	233
Tax impacts related to foreign operations	**(4,230)**	(5,366)
Other	**2**	1,314
Income taxes at effective income tax rate	**23,513**	21,984

9. EARNINGS PER SHARE

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

	Three months ended November 30,	
	2016	2015
	$	$
Profit for the period	**75,024**	61,106
Weighted average number of multiple and subordinate voting shares outstanding	**49,144,311**	48,949,816
Effect of dilutive stock options (1)	**108,958**	199,378
Effect of dilutive incentive share units	**131,628**	220,279
Effect of dilutive performance share units	**96,220**	63,536
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,481,117**	49,433,009
Earnings per share		
Basic	**1.53**	1.25
Diluted	**1.52**	1.24

(1) For the three-month period ended November 30, 2016, 154,100 stock options (168,725 in 2015) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

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

10. LONG-TERM DEBT

	Maturity	Interest rate		November 30, 2016	August 31, 2016
		%		$	$
Parent Corporation					
Term Revolving Facility (1)					
Canadian Revolving Facility					
Revolving loan	January 2021	3.15	(2)	30,000	—
Revolving loan – US$18.5 million (US$59.5 million at August 31, 2016)	January 2021	2.06	(2) (3)	24,844	78,040
Revolving loan – £23.7 million (£23.6 million at August 31, 2016)	January 2021	1.77	(2)	39,811	40,646
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,451	32,665
Series B - US$150 million	September 2026	4.29		200,671	195,961
Senior Secured Notes Series B	October 2018	7.60		54,870	54,853
Senior Secured Notes - US$215 million	June 2025	4.30		287,545	280,787
Senior Secured Debentures Series 2	November 2020	5.15		199,218	199,174
Senior Secured Debentures Series 3	February 2022	4.93		198,923	198,878
Senior Secured Debentures Series 4	May 2023	4.18		297,860	297,788
Senior Unsecured Debenture	March 2018	5.94		99,949	99,939
Senior Unsecured Notes – US$400 million	May 2020	4.88		533,013	520,201
Subsidiaries					
First Lien Credit Facilities					
Term Loan A-2 Facility – US$96.2 million (US$98.2 million at August 31, 2016)	September 2019	2.48	(2) (4)	127,706	127,146
Term Loan A-3 Facility - US$120.6 million (US$124.6 million at August 31, 2016)	September 2019	2.48	(2) (4)	159,951	161,284
Term Loan B Facility – US$355.4 million (US$362.6 million at August 31, 2016)	November 2019	3.25	(2)	468,188	466,024
Revolving Facility – US$70.9 million (US$76 million at August 31, 2016)	September 2019	2.49	(2)	95,211	99,682
Term Revolving Facility (1)					
UK Revolving Facility – £4.4 million	January 2021	1.70	(2)	7,391	7,578
Other	December 2016	3.45		205	—
				2,858,807	2,860,646
Less current portion				13,100	22,516
				2,845,707	2,838,130

(1) On December 9, 2016, the Corporation amended its Term Revolving Facility resulting in the extension of the maturity date by an additional year until January 24, 2022.

(2) Interest rate on debt includes applicable margin.

(3) The amount drawn under the Revolving loan facility has been hedged until January 4, 2017, using a cross-currency swap agreement which sets the amount redeemable at maturity at CAD$25 million and the effective interest rate on the Canadian dollar equivalent at 1.91%.

(4) On October 14, 2015, a US subsidiary of the Corporation entered into two interest rate swap agreements to fix the 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 fixed rates of 0.6120% and 0.9870%, under Term Loan A-3 and Term Loan A-2 Facilities, until October 30, 2017 and July 31, 2019, respectively.

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

11. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

	November 30, 2016	August 31, 2016
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,709,131 subordinate voting shares (33,673,541 at August 31, 2016)	926,773	924,600
	1,025,119	1,022,946
108,453 subordinate voting shares held in trust under the Incentive Share Unit Plan (160,323 at August 31, 2016)	(5,977)	(8,527)
123,065 subordinate voting shares held in trust under the Performance Share Unit Plan (89,632 at August 31, 2016)	(8,087)	(5,952)
	1,011,055	1,008,467

During the first three months of fiscal 2017, subordinate voting share transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2016	33,673,541	924,600
Shares issued for cash under the Stock Option Plan	35,590	1,812
Share-based payment previously recorded in share-based payment reserve for options exercised	—	361
Balance at November 30, 2016	33,709,131	926,773

During the first three months of fiscal 2017, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2016	160,323	8,527
Subordinate voting shares acquired	19,391	1,240
Subordinate voting shares distributed to employees	(71,261)	(3,790)
Balance at November 30, 2016	108,453	5,977

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

During the first three months of fiscal 2017, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

	Number of shares	Amount
		$
Balance at August 31, 2016	89,632	5,952
Subordinate voting shares acquired	34,344	2,196
Subordinate voting shares distributed to employees	(911)	(61)
Balance at November 30, 2016	123,065	8,087

C) DIVIDENDS

For the three-month period ended November 30, 2016, a quarterly eligible dividend of $0.43 per share was paid to the holders of multiple and subordinate voting shares, totaling $21.2 million, compared to a quarterly eligible dividend of $0.39 per share for a total of $19.1 million for the three-month period ended November 30, 2015.

At its January 11, 2017 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.43 per share for multiple and subordinate voting shares, payable on February 8, 2017 to shareholders of record on January 25, 2017.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its 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 offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors. A detailed description of these plans can be found in the 2016 annual consolidated financial statements of the Corporation.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at November 30, 2016:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2016	645,626	53.67
Granted (1)	205,375	62.12
Exercised (2)	(35,590)	50.92
Cancelled	(34,280)	58.13
Outstanding at November 30, 2016	781,131	55.82
Exercisable at November 30, 2016	297,077	48.13

(1) During the three-month period ended November 30, 2016, the Corporation granted 81,350 stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the period was $61.79.

A compensation expense of $107,000 ($206,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to this plan.

The weighted average fair value of stock options granted for the three-month period ended November 30, 2016 was $8.91 ($11.43 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:

	2016	2015
	%	%
Expected dividend yield	2.52	2.07
Expected volatility	21.30	22.36
Risk-free interest rate	0.80	0.97
Expected life (in years)	6.1	6.1

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

Under the ISU Plan, the following ISUs were granted by the Corporation and are outstanding at November 30, 2016:

Outstanding at August 31, 2016	**144,623**
Granted (1)	**40,275**
Distributed	**(71,261)**
Cancelled	**(5,184)**
Outstanding at November 30, 2016	**108,453**

(1) During the three-month period ended November 30, 2016, the Corporation did not grant ISUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $443,000 ($1,017,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at November 30, 2016:

Outstanding at August 31, 2016	**81,376**
Granted (1)	**49,325**
Distributed	**(911)**
Cancelled	**(9,950)**
Dividend equivalents	**796**
Outstanding at November 30, 2016	**120,636**

(1) During the three-month period ended November 30, 2016, the Corporation granted 12,150 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $51,000 ($254,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at November 30, 2016:

Outstanding at August 31, 2016	**32,483**
Dividend equivalents	**215**
Outstanding at November 30, 2016	**32,698**

A compensation expense of $88,000 ($45,000 in 2015) was recorded for the three-month period ended November 30, 2016 related to this plan.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge reserve	Foreign currency translation	Total
	$	$	$
Balance at August 31, 2015	1,330	82,490	83,820
Other comprehensive income	6	4,654	4,660
Balance at November 30, 2015	1,336	87,144	88,480
Balance at August 31, 2016	**(121)**	**84,748**	**84,627**
Other comprehensive income	**755**	**2,131**	**2,886**
Balance at November 30, 2016	**634**	**86,879**	**87,513**

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

13. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended November 30,	
	2016	2015
	$	$
Trade and other receivables	**(7,045)**	14,429
Prepaid expenses and other	**(6,969)**	(6,658)
Trade and other payables	**(69,281)**	(68,186)
Provisions	**2,019**	204
Deferred and prepaid revenue and other liabilities	**884**	2,637
	(80,392)	(57,574)

B) CASH AND CASH EQUIVALENTS

At November 30, 2016 and August 31, 2016 the Corporation had no cash equivalents.

14. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended November 30,	
	2016	2015
	$	$
Defined benefit plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	**573**	560
Administrative expense	**56**	49
Recognized in financial expense (other)		
Net interest	**23**	22
Defined contribution and collective registered retirement saving plans		
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,215**	2,121
	2,867	2,752

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

15. 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 risks which are described in the Corporation's annual consolidated financial statements.

Liquidity risk

At November 30, 2016, the Corporation had used $121.3 million of its $800 million Term Revolving Facility for a remaining availability of $678.7 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Revolving Facility of $201.4 million (US$150 million), of which $97.2 million (US$72.4 million) was used at November 30, 2016 for a remaining availability of $104.2 million (US$77.6 million).

Interest rate risk

The Corporation is exposed to interest rate risk on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At November 30, 2016, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the Corporation's Term Revolving Facility, intercompany note payable and First Lien Credit Facilities.

To reduce such risk, the Corporation entered into interest rate swap agreements. The following table shows the interest rate swaps outstanding at November 30, 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 the unhedged portion of these facilities is approximately $7 million based on the outstanding debt at November 30, 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. The Corporation has established guidelines whereby cross-currency swap agreements can be used to fix the exchange rate applicable to its US dollar denominated long-term debt. All such agreements are exclusively used for hedging purposes.

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 approximately $7.5 million based on the outstanding debt at November 30, 2016.

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

The following table shows the net investments in foreign operations outstanding at November 30, 2016:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$891.2 million	Net investments in foreign operations in US dollar
Net investment	£23.7 million	£29.9 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 November 30, 2016 was $1.3429 ($1.3116 at August 31, 2016) per US dollar and $1.6798 ($1.7223 at August 31, 2016) per British Pound. A 10% change in the exchange rates of the US dollar and British Pound into Canadian dollars would change other comprehensive income by approximately $14.6 million.

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

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	November 30, 2016		August 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	**2,858,807**	**2,937,750**	2,860,646	2,975,511

C) CAPITAL MANAGEMENT

At November 30, 2016 and August 31, 2016, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

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

	November 30, 2016	August 31, 2016
Net secured indebtedness (1) / adjusted EBITDA (2)	**2.3**	2.3
Net indebtedness (3) / adjusted EBITDA (2)	**2.9**	2.9
Adjusted EBITDA (2) / financial expense (2)	**7.3**	7.2

(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) Calculation based on adjusted EBITDA and financial expense for the twelve-month periods ended November 30, 2016 and August 31, 2016.

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

16. RELATED PARTY TRANSACTIONS

Cogeco provides executive, administrative, financial and strategic planning services and other services to the Corporation under a Management Services Agreement. Under the Agreement, management fees are payable on a monthly basis, representing 0.85% of the consolidated revenue of the Corporation, with no maximum level or inflation-based adjustment. In addition, provision is made for future adjustment upon the request of either Cogeco or the Corporation should the level of management fees no longer align with the costs, time and resources committed by Cogeco. The Corporation reimburses Cogeco's out-of-pocket expenses incurred with respect to services provided to the Corporation under the Agreement.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the three-month period ended November 30, 2016, the Corporation granted 81,350 (69,750 in 2015) stock options, did not grant any ISUs and granted 12,150 (11,150 in 2015) PSUs to these executive officers as executive officers of Cogeco Communications. During the three-month period ended November 30, 2016, the Corporation charged Cogeco $163,000 ($144,000 in 2015), $33,000 ($113,000 in 2015) and $136,000 ($124,000 in 2015), respectively, with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers.

On August 2, 2016 an intercompany loan agreement was concluded between the Corporation and Cogeco, by which a revolving credit facility was established in favour of the Corporation. The maximum principal amount of the facility is set at $40 million and the full amount was advanced to the Corporation as of the signing date and remained outstanding as of November 30, 2016. The credit facility is payable on demand and the interest is calculated on the daily outstanding balance at an annual rate equivalent to the Corporation's 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.

CUSTOMER STATISTICS

	November 30, 2016	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
CONSOLIDATED					
Primary service units	**2,527,602**	2,507,750	2,511,799	2,515,137	2,510,979
Video service customers	**981,682**	982,955	992,409	1,001,337	1,009,098
Internet service customers	**1,007,610**	987,365	977,538	967,156	953,134
Telephony service customers	**538,310**	537,430	541,852	546,644	548,747
CANADA					
Primary service units	**1,930,909**	1,914,017	1,921,799	1,932,343	1,933,527
Video service customers	**740,855**	739,323	747,257	755,366	761,209
Penetration as a percentage of homes passed	**43.3%**	43.4%	43.9%	44.6%	45.0%
Internet service customers	**749,275**	733,701	728,086	724,379	716,577
Penetration as a percentage of homes passed	**43.8%**	43.0%	42.8%	42.7%	42.4%
Telephony service customers	**440,779**	440,993	446,456	452,598	455,741
Penetration as a percentage of homes passed	**25.8%**	25.9%	26.3%	26.7%	26.9%
UNITED STATES					
Primary service units	**596,693**	593,733	590,000	582,794	577,452
Video service customers	**240,827**	243,632	245,152	245,971	247,889
Penetration as a percentage of homes passed	**40.7%**	41.2%	41.4%	41.7%	42.0%
Internet service customers	**258,335**	253,664	249,452	242,777	236,557
Penetration as a percentage of homes passed	**43.7%**	42.9%	42.1%	41.1%	40.1%
Telephony service customers	**97,531**	96,437	95,396	94,046	93,006
Penetration as a percentage of homes passed	**16.5%**	16.3%	16.1%	15.9%	15.8%