COGECO COMMUNICATIONS

SHAREHOLDERS' REPORT

Three and nine-month periods ended May 31, 2017

FINANCIAL HIGHLIGHTS

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	**May 31, 2017**	May 31, 2016	Change
(in thousands of dollars, except percentages and per share data)	**$**	$	%	**$**	$	%
Operations						
Revenue	**565,158**	540,257	4.6	**1,675,123**	1,632,093	2.6
Adjusted EBITDA(1)	**254,233**	243,115	4.6	**757,775**	735,639	3.0
Operating margin(1)	**45.0%**	45.0%	—	**45.2%**	45.1%	—
Integration, restructuring and acquisition costs	**—**	1,126	—	**—**	7,476	—
Claims and litigations	**—**	10,499	—	**—**	10,499	—
Impairment of goodwill and intangible assets	**—**	450,000	—	**—**	450,000	—
Profit (loss) for the period	**76,203**	(387,357)	—	**227,890**	(264,209)	—
Cash flow						
Cash flow from operating activities	**241,689**	181,498	33.2	**610,700**	483,545	26.3
Acquisitions of property, plant and equipment, intangible and other assets	**100,202**	94,442	6.1	**282,895**	357,493	(20.9)
Free cash flow(1)	**104,728**	84,664	23.7	**322,894**	199,404	61.9
Financial condition(2)						
Cash and cash equivalents	**—**	—	—	**102,067**	62,286	63.9
Property, plant and equipment	**—**	—	—	**1,952,699**	1,989,720	(1.9)
Total assets	**—**	—	—	**5,348,801**	5,333,249	0.3
Indebtedness(3)	**—**	—	—	**2,749,785**	2,929,108	(6.1)
Shareholders' equity	**—**	—	—	**1,560,094**	1,379,915	13.1
Capital intensity(1)	**17.7%**	17.5%	—	**16.9%**	21.9%	—
Per Share Data(4)						
Earnings (loss) per share						
Basic	**1.55**	(7.89)	—	**4.63**	(5.39)	—
Diluted	**1.54**	(7.89)	—	**4.60**	(5.39)	—
Dividends	**0.43**	0.39	10.3	**1.29**	1.17	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 May 31, 2017 and August 31, 2016. Total assets and shareholders' equity were restated for the year ended August 31, 2016 as reported in note 2 of the Condensed Interim Consolidated Financial Statements.

(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.

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

Three and nine-month periods ended May 31, 2017

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 and nine-month periods ended May 31, 2017 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
	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 nine-month period ended May 31, 2017, revenue increased by $43.0 million, or 2.6%, to reach $1.68 billion compared to $1.63 billion for the same period of fiscal 2016 mainly driven by growths of 5.7% in the American broadband services segment and 2.5% in the Canadian broadband services segment, partly offset by a decrease of 3.0% in the Business ICT services segment.

ADJUSTED EBITDA AND OPERATING MARGIN

For the nine-month period ended May 31, 2017, adjusted EBITDA increased by $22.1 million, or 3.0%, to reach $757.8 million compared to $735.6 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 increased slightly from 45.1% to 45.2% resulting from a higher margin in the Canadian broadband services segment, partly offset by a slightly lower margin in the American broadband services and a decline in the Business ICT services segments.

FREE CASH FLOW

For the nine-month period ended May 31, 2017, Cogeco Communications reported free cash flow of $322.9 million, an increase of $123.5 million, or 61.9%, compared to $199.4 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 adjusted EBITDA combined with last year's claims and litigations and the decrease in integration, restructuring and acquisition costs also contributed to the increase in free cash flow.

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

During the nine-month period ended May 31, 2017, the acquisitions of property, plant and equipment, intangible and other assets amounted to $282.9 million and revenue to $1.68 billion for a capital intensity ratio of 16.9% compared to 21.9% 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 nine months of fiscal 2017, the Corporation 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 $154.6 million compared to $187.5 million for the same period of fiscal 2016. The decrease resulted mainly from a timing difference for purchases of customer premise equipment ("CPE"), scalable infrastructure and line extensions due to the timing of certain initiatives.

(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 $99.4 million compared to $86.2 million for the same period of fiscal 2016. The increase is mainly due to CPE acquisitions resulting from primary service units ("PSU")(1) growth and the increases in scalable infrastructure and line extensions as a result of the ongoing growth in the business sector combined with network improvement and expansion in some of the areas we serve.

In the Business ICT services segment, the acquisitions of property, plant and equipment, intangible and other assets amounted to $28.9 million compared to $83.8 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. In addition, capital expenditures were higher in the comparable period of fiscal 2016 due to the completion of strategic investments at the Kirkland data centre facility.

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

3. BUSINESS DEVELOPMENTS AND OTHER

On July 10, 2017, Cogeco Communications announced that its subsidiary, Atlantic Broadband, entered into an agreement with Harron Communications, L.P. to acquire substantially all of the assets of its cable systems operating under the MetroCast brand name ("MetroCast") which serves about 120,000 Internet, 76,000 video and 37,000 telephony customers. The transaction valued at US$1.4 billion includes the expected present value of future tax benefits of US$310 million and is subject to customary closing adjustments. This acquisition is expected to be financed through a combination of non-recourse debt financing at Atlantic Broadband and an equity investment by Caisse de Dépôt et Placement du Québec ("CDPQ") in Atlantic Broadband's holding company. The transaction is subject to usual closing conditions, regulatory approvals and other customary conditions. The Corporation expects the transaction to close in January 2018.

4. OPERATING AND FINANCIAL RESULTS

4.1 OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	May 31, 2017	May 31, 2016	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Revenue	565,158	540,257	4.6	1,675,123	1,632,093	2.6
Operating expenses	306,132	292,555	4.6	903,062	882,566	2.3
Management fees – Cogeco Inc.	4,793	4,587	4.5	14,286	13,888	2.9
Adjusted EBITDA	254,233	243,115	4.6	757,775	735,639	3.0
Operating margin	45.0%	45.0%		45.2%	45.1%	

REVENUE

Fiscal 2017 third-quarter revenue amounted to $565.2 million, an increase of $24.9 million, or 4.6%, compared to the same period of the prior year driven by growths of 9.8% in the American broadband services segment and 3.3% in the Canadian broadband services segment combined with stable revenue in the Business ICT services segment.

For the first nine months of fiscal 2017, revenue amounted to $1.68 billion, an increase of $43.0 million, or 2.6%, compared to the same period of the prior year driven by growths of 5.7% in the American broadband services segment and of 2.5% in the Canadian broadband services segment, partly offset by a decrease of 3.0% 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 third-quarter operating expenses amounted to $306.1 million, an increase of $13.6 million, or 4.6%, compared to the same period of the prior year. Operating expenses increased in all of our operating segments. The appreciation of the US dollar against the Canadian dollar has also contributed to the increase.

For the first nine months of fiscal 2017, operating expenses amounted to $903.1 million, an increase of $20.5 million, or 2.3%, compared to the same period of the prior year. Operating expenses increased in the Canadian and American broadband services segments and remained essentially the same in the Business ICT services segment.

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

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

For the three and nine-month periods ended May 31, 2017, management fees paid to Cogeco Inc. amounted to $4.8 million and $14.3 million, respectively, compared to $4.6 million and $13.9 million for the same periods of fiscal 2016. For further details on the Corporation's management fees, please refer to the “Related party transactions” section.

ADJUSTED EBITDA AND OPERATING MARGIN

For the three and nine-month periods ended May 31, 2017, adjusted EBITDA increased by $11.1 million, or 4.6%, to reach $254.2 million, and by $22.1 million, or 3.0%, to reach $757.8 million, respectively. For both periods, the increase in adjusted EBITDA resulted from the improvement in the Canadian and American broadband services segments, partly offset by a decline in the Business ICT service segment.

Fiscal 2017 third-quarter operating margin remained stable at 45.0% and increased slightly for the first nine months of fiscal 2017 from 45.1% to 45.2% compared to the same periods of fiscal 2016 as a result of higher margins in the Canadian broadband services segment, partly offset by slightly lower margins in the American broadband services and a decline in the Business ICT services segments.

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

4.2 FIXED CHARGES

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	**May 31, 2017**	May 31, 2016	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Depreciation and amortization	**119,597**	123,928	(3.5)	**357,926**	378,664	(5.5)
Financial expense	**31,792**	32,792	(3.0)	**96,357**	101,984	(5.5)

Fiscal 2017 third-quarter depreciation and amortization expense decreased by $4.3 million, or 3.5%, to reach $119.6 million compared to the same period of the prior year mainly due to certain assets being fully amortized and the impairment of intangible assets recognized in the third quarter of fiscal 2016, partly offset by the appreciation of the US dollar against the Canadian dollar and higher acquisitions of property, plant and equipment. For the nine-month period ended May 31, 2017, depreciation and amortization expense decreased by $20.7 million, or 5.5%, to reach $357.9 million compared to the same periods of prior year mainly due to lower acquisitions of property, plant and equipment, the depreciation of the British Pound dollar against the Canadian dollar, certain assets being fully amortized and the impairment of intangible assets recognized in the third quarter of fiscal 2016.

For the three and nine-month periods ended May 31, 2017, financial expense decreased by $1.0 million, or 3.0%, to reach $31.8 million, and by $5.6 million, or 5.5%, to reach $96.4 million, respectively, compared to the same periods of the prior year mainly due to a lower level of Indebtedness as a result of generated free cash flow. In addition, the decrease in financial expense in the quarter was partly offset by the appreciation of the US dollar against the Canadian dollar.

4.3 IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During the third quarter of fiscal 2016, the Corporation recorded a non-cash pre-tax impairment of goodwill and intangible assets of $450 million related to its Business ICT segment.

The impairment of goodwill and intangible assets that affected the Corporation’s financial results for the three and nine-month periods ended May 31, 2016 were as follows :

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

4.4 CLAIMS AND LITIGATIONS

During the third quarter of fiscal 2016, the Corporation's subsidiary, Cogeco Peer 1, recognized an amount of $10.5 million related to the settlement of claims and costs related to litigations.

4.5 INCOME TAXES

For the three and nine-month periods ended May 31, 2017, income taxes increased by $14.5 million and $24.4 million, to reach $26.6 million and $75.6 million, respectively, compared to the same periods of the prior year. The increase for both periods is mainly attributable to a profit before income taxes compared to a loss before income taxes in the same periods of the prior year resulting from the recognition of a non-cash pre-tax impairment of goodwill and intangible assets of $450 million in the third quarter of fiscal 2016, of which a portion was non-deductible. In addition, the increase is also attributable to a higher effective tax rate related to investments in foreign operations combined with a revaluation of deferred tax assets in the third quarter of fiscal 2016, 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 for the nine-month period ended May 31, 2017. In addition, on July 8, 2015, the United Kingdom government announced corporate tax rate reductions from 20% to 19% on April 1, 2017 and to 18% on April 1, 2020. These rate reductions were substantively enacted on October 26, 2015 and have reduced the deferred tax assets and increased the deferred income taxes by $1.3 million for the first nine months of fiscal 2016.

4.6 PROFIT (LOSS) FOR THE PERIOD

For the three-month period ended May 31, 2017, profit for the period amounted to $76.2 million, or $1.55 per share compared to a loss for the period of $387.4 million, or $7.89 per share for the same period of the prior year. For the nine-month period ended May 31, 2017, profit for the period amounted to $227.9 million, or $4.63 per share compared to a loss for the period of $264.2 million, or $5.39 per share for the same period of the prior year. The progression for both periods resulted from last year's non-cash pre-tax impairment of goodwill and intangible assets of $450 million and the claims and litigations of $10.5 million which both occurred in the Business ICT services segment. The remaining variation is explained by the improvement of adjusted EBITDA combined with the decrease in depreciation and amortization, partly offset by an increase in income taxes.

4.7 CUSTOMER STATISTICS

				Net additions (losses)		Net additions (losses)	
		May 31, 2017		Quarters ended		Nine months ended	
	Consolidated	Canada	United States	May 31, 2017	May 31, 2016	May 31, 2017 (2)	May 31, 2016
PSU(1)	2,534,925	1,926,537	608,388	(1,951)	(3,338)	24,928	14,097
Video service customers	967,020	729,701	237,319	(9,977)	(8,928)	(17,374)	(22,252)
Internet service customers	1,034,686	764,350	270,336	11,167	10,382	46,513	43,068
Telephony service customers	533,219	432,486	100,733	(3,141)	(4,792)	(4,211)	(6,719)

(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

For the three and nine-month periods ended May 31, 2017, video service customers net losses stood at 9,977 and 17,374, respectively, compared to 8,928 and 22,252 for the same periods of fiscal 2016. The higher decrease in the quarter resulted mainly from competitive offers in the industry and the changing video consumption environment. The loss reduction for the first nine months resulted mainly from the customers' interest in the video product offering of the Corporation, including TiVo's digital advanced video services both in Canada and in the United States, as well as in bundles with fast Internet offerings, partly offset by competitive offers in the industry, service category maturity in Canada and the changing video consumption environment.

INTERNET

For the three and nine-month periods ended May 31, 2017, Internet service customers net additions amounted to 11,167 and 46,513, respectively, compared to 10,382 and 43,068 for the same periods of fiscal 2016. The net additions stemmed from the customers' ongoing interest in high speed offerings and in TiVo's services which requires an Internet subscription, the continued growth of Internet resellers' customers and from the business sector as well as sustained interest in bundle offers.

TELEPHONY

For the three and nine-month periods ended May 31, 2017, telephony service customers net losses stood at 3,141 and 4,211, respectively, compared to 4,792 and 6,719 for the same periods of fiscal 2016. The loss reduction for both periods are mainly explained by the continued growth in the residential and business sectors in the United States, partly offset by the increasing mobile penetration and various unlimited offers in Canada launched by mobile operators causing customers to cancel their landline telephony services for mobile telephony services only.

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 31.7% 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. 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 nine months ended May 31, 2017, the Corporation granted 81,350 (71,650 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 three and nine-month periods ended May 31, 2017, the Corporation charged Cogeco $163,000 and $465,000 ($162,000 and $442,000 in 2016), $2,000 and $37,000 ($69,000 and $248,000 in 2016) and $177,000 and $483,000 ($135,000 and $364,000 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. 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 Canadian Revolving Facility. During the third quarter of fiscal 2017, the intercompany loan was fully repaid by the Corporation.

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

6. CASH FLOW ANALYSIS

	Quarters ended		Nine months ended	
	May 31, 2017	May 31, 2016	**May 31, 2017**	May 31, 2016
(in thousands of dollars)	**$**	$	**$**	$
Cash flow from operating activities	**241,689**	181,498	**610,700**	483,545
Cash flow from investing activities	**(100,212)**	(94,934)	**(275,242)**	(356,752)
Cash flow from financing activities	**(85,498)**	(62,268)	**(296,600)**	(235,141)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**253**	(256)	**923**	(60)
Net change in cash and cash equivalents	**56,232**	24,040	**39,781**	(108,408)
Cash and cash equivalents, beginning of the period	**45,835**	30,718	**62,286**	163,166
Cash and cash equivalents, end of the period	**102,067**	54,758	**102,067**	54,758

6.1 OPERATING ACTIVITIES

Fiscal 2017 third-quarter cash flow from operating activities reached $241.7 million, representing an increase of $60.2 million, or 33.2%, compared to the same period of the prior year mainly as a result of the following:

- the improvement of $11.1 million in adjusted EBITDA;
- the decrease of $39.3 million in income taxes paid as a result of the timing of payments related to the deferral until early fiscal 2018, of income tax installments pursuant to a corporate structure reorganization of the Canadian broadband services segment subsidiaries; and
- last year's claims and litigations of $10.5 million; partly offset by
- the decrease of $7.2 million in changes in non-cash operating activities primarily due to changes in working capital.

For the first nine months of fiscal 2017, cash flow from operating activities reached $610.7 million, representing an increase of $127.2 million, or 26.3%, compared to the same period of the prior year mainly as a result of the following:

- the improvement of $22.1 million in adjusted EBITDA;
- the decrease of $98.9 million in income taxes paid as a result of the timing of payments related to the deferral until early fiscal 2018, of income tax installments pursuant to a corporate structure reorganization of the Canadian broadband services segment subsidiaries;
- last year's claims and litigations of $10.5 million; and
- the decrease of $9.7 million in financial expense paid; partly offset by
- the decrease of $21.6 million in changes in non-cash operating activities primarily due to changes in working capital.

6.2 INVESTING ACTIVITIES

For the three and nine-month periods ended May 31, 2017, investing activities increased by $5.3 million, or 5.6%, to reach $100.2 million, and decreased by $81.5 million, or 22.8%, to reach $275.2 million, respectively, compared to the same periods of fiscal 2016. The variation for both periods is mainly explained by the 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		Nine months ended	
	May 31, 2017	May 31, 2016	**May 31, 2017**	May 31, 2016
(in thousands of dollars)	**$**	$	**$**	$
Customer premise equipment[1]	**33,201**	22,421	**102,967**	122,194
Scalable infrastructure[2]	**22,497**	8,914	**51,987**	43,557
Line extensions	**13,758**	9,557	**35,296**	41,871
Upgrade / Rebuild	**5,178**	4,112	**12,462**	13,142
Support capital	**11,145**	13,781	**39,793**	41,022
Acquisition of property, plant and equipment - Canadian and American broadband services	**85,779**	58,785	**242,505**	261,786
Acquisition of property, plant and equipment - Business ICT services	**9,668**	30,844	**26,047**	79,820
Acquisition of property, plant and equipment - Head office	**—**	—	**—**	26
Acquisitions of property, plant and equipment	**95,447**	89,629	**268,552**	341,632
Acquisition of intangible and other assets - Canadian and American broadband services	**3,778**	4,235	**11,445**	11,889
Acquisition of intangible and other assets - Business ICT services	**977**	578	**2,898**	3,972
Acquisitions of intangible and other assets	**4,755**	4,813	**14,343**	15,861
	100,202	94,442	**282,895**	357,493

(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 three and nine-month periods ended May 31, 2017, acquisitions of property, plant and equipment amounted to $95.4 million and $268.6 million, respectively, compared to $89.6 million and $341.6 million for the same periods of the prior year.

For the three and nine-month periods ended May 31, 2017, acquisitions of intangible and other assets amounted to $4.8 million and $14.3 million, respectively, compared to $4.8 million and $15.9 million for the same periods of the prior year.

The most significant variances are as follows:

CANADIAN BROADBAND SERVICES SEGMENT

- Fiscal 2017 third-quarter and first nine months acquisitions of property, plant and equipment amounted to $54.8 million and $146.7 million, respectively, representing an increase of $21.0 million and a decrease of $31.8 million, or 62.0% and 17.8%, compared to the same periods of the prior year. The variation for both periods resulted mainly from a timing difference for purchases of customer premise equipment ("CPE"), scalable infrastructure and line extensions due to the timing of certain initiatives;
- For the three and nine-month periods ended May 31, 2017, acquisitions of intangible and other assets amounted to $2.5 million and $7.8 million, respectively, compared to $3.2 million and $8.9 million for the same periods of fiscal 2016; and
- For the nine-month period ended May 31, 2017, capital intensity reached 15.9% compared to 19.8% for the same period of fiscal 2016 mainly as a result of a decrease in acquisitions of capital expenditures.

AMERICAN BROADBAND SERVICES SEGMENT

- Fiscal 2017 third-quarter and first nine months acquisitions of property, plant and equipment amounted to $31.0 million and $95.8 million, respectively, representing increases of $6.0 million and $12.6 million, or 24.1% and 15.1%, compared to the same periods of the prior year. The increase for both periods is mainly due to CPE acquisitions resulting from PSU growth and the increases in scalable infrastructure and line extensions as a result of the ongoing growth in the business sector combined with network improvement and expansion in some of the areas we serve. The appreciation of the US dollar against the Canadian dollar also contributed to the growth in capital expenditures for the quarter compared to the same period of fiscal 2016;
- For the three and nine-month periods ended May 31, 2017, acquisitions of intangible and other assets amounted to $1.3 million and $3.6 million, respectively, compared to $1.0 million and $2.9 million for the same periods of fiscal 2016; and
- For the nine-month period ended May 31, 2017, capital intensity reached 20.5% compared to 18.8% for the same period of the prior year as a result of capital expenditures growth exceeding revenue growth.

BUSINESS ICT SERVICES SEGMENT

- Fiscal 2017 third-quarter and first nine months acquisitions of property, plant and equipment amounted to $9.7 million and $26.0 million, respectively, representing decreases of $21.2 million and $53.8 million, or 68.7% and 67.4%, compared to the same periods of the prior year. The decrease for both periods is due to a greater focus on capital expenditure optimization combined with the timing of certain initiatives. In addition, capital expenditures were higher in the comparable periods of fiscal 2016 due to strategic investments at the Kirkland data centre facility;
- For the three and nine-month periods ended May 31, 2017, acquisitions of intangible and other assets amounted to $1.0 million and $2.9 million, respectively, compared to $0.6 million and $4.0 million for the same periods of fiscal 2016; and
- For the nine-month period ended May 31, 2017, capital intensity reached 13.1% compared to 36.8% 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 third-quarter free cash flow amounted to $104.7 million, an increase of $20.1 million, or 23.7%, compared to $84.7 million for the same period of the prior year mainly due to the following:

- the improvement of $11.1 million in adjusted EBITDA; and
- last year's claims and litigations of $10.5 million; partly offset by
- the increase of $5.8 million in acquisitions of property, plant and equipment, intangible and other assets resulting from the increase in capital expenditures mainly in the Canadian broadband services segment due to the timing of certain initiatives, partly offset by a greater focus on capital expenditure optimization in the Business ICT services segment.

For the first nine months ended May 31, 2017, free cash flow amounted to $322.9 million, an increase of $123.5 million, or 61.9%, compared to $199.4 million during the same period of the prior year mainly due to the following:

- the decrease of $74.6 million in acquisitions of property, plant and equipment, intangible and other assets resulting from the timing of certain initiatives in the Canadian broadband services segment combined with a greater focus on capital expenditure optimization in the Business ICT services segment;
- the improvement of $22.1 million in adjusted EBITDA;
- last year's claims and litigations of $10.5 million; and
- the decrease of $7.5 million in integration, restructuring and acquisition costs.

FINANCING ACTIVITIES

For the three and nine-month periods ended May 31, 2017, lower Indebtedness levels resulting from debt repayments led to cash decreases of $64.8 million and $234.4 million, respectively, compared to cash decreases of $43.0 million and $177.3 million, respectively, for the same periods of fiscal 2016.

	Quarters ended			Nine months ended			
	May 31, 2017	May 31, 2016	Change	May 31, 2017	May 31, 2016	Change	Explanations
(in thousands of dollars)	$	$	$	$	$	$	
Increase (decrease) in bank indebtedness	(2,043)	3,534	(5,577)	(748)	26,863	(27,611)	Related to the timing of payments made to suppliers.
Repayment of intercompany note payable - Cogeco Inc.	(40,000)	—	(40,000)	(40,000)	—	(40,000)	Repayment of the short-term intercompany Revolving Credit Facility of $40 million to the parent company, Cogeco Inc., during the third quarter of fiscal 2017.
Net increases (decreases) under the revolving facilities	(20,326)	(37,238)	16,912	(173,323)	36,459	(209,782)	Repayments of the revolving facilities in both periods in fiscal 2017 as a result of generated free cash flow. Repayments of the revolving facilities during the third quarter of fiscal 2016 as a result of generated free cash flow. Increase under the revolving facilities for the first nine months of fiscal 2016 mainly as a result of the repayment of the US$190 million Senior Secured Notes Series A maturing in October 2015.
Repayments of long-term debt and settlement of derivative financial instruments	(1,601)	(9,339)	7,738	(19,444)	(240,629)	221,185	Repayments on the First Lien Credit Facilities during the third quarter and the first nine months of fiscal 2017. Repayments on the First Lien Credit Facilities in the third quarter and first nine months of fiscal 2016. For the first nine months of fiscal 2016, repayments of the US$190 million Senior Secured Notes Series A maturing in October 2015 and settlement of the related derivative financial instruments.
Repayment of balance due on a business combination	(837)	—	(837)	(837)	—	(837)	Repayment of balance due on a business combination during the third quarter of fiscal 2017.
	(64,807)	(43,043)	(21,764)	(234,352)	(177,307)	(57,045)	

DIVIDENDS

During the third 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 third quarter of fiscal 2016. Dividends payments in the first nine months totaled $1.29 per share, or $63.5 million, compared to $1.17 per share, or $57.3 million, in the prior year.

6.4 DIVIDEND DECLARATION

At its July 13, 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 August 10, 2017 to shareholders of record on July 27, 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)	May 31, 2017 $	August 31, 2016 $	Change $	Explanations
Current assets				
Cash and cash equivalents	**102,067**	62,286	39,781	Please refer to the "Cash flow and analysis" section.
Trade and other receivables	**101,791**	115,435	(13,644)	Mostly related to a change in the billing cycle in the Canadian broadband services segment, partly offset by revenue growth.
Income taxes receivable	**8,216**	12,701	(4,485)	Non significant.
Prepaid expenses and other	**23,980**	16,208	7,772	Increase in prepayment of annual maintenance agreements.
Derivative financial instrument	**286**	1,040	(754)	Non significant.
	236,340	207,670	28,670	
Current liabilities				
Bank indebtedness	**3,367**	4,115	(748)	Non significant.
Trade and other payables	**218,391**	289,668	(71,277)	Timing of payments made to suppliers.
Provisions	**24,855**	30,688	(5,833)	Mostly related to the settlement of claims and litigations in the Business ICT services segment during the third quarter.
Income tax liabilities	**83,586**	26,680	56,906	Timing of payments of income taxes related to the deferral, until early fiscal 2018, of income tax installments pursuant to a corporate structure reorganization of the Canadian broadband services segment subsidiaries.
Deferred and prepaid revenue	**73,743**	61,316	12,427	Mostly related to a change in the billing cycle in the Canadian Broadband services segment.
Balance due on a business combination	**118**	—	118	Non significant.
Intercompany note payable - Cogeco Inc.	**—**	40,000	(40,000)	Repayment of the short-term intercompany Revolving Credit Facility of $40 million to the parent company, Cogeco Inc., during the third quarter of fiscal 2017.
Current portion of long-term debt	**129,197**	22,516	106,681	Mostly related to the $100 million Senior Unsecured Debenture maturing in March 2018.
	533,257	474,983	58,274	
Working capital deficiency	**(296,917)**	(267,313)	(29,604)	

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of dollars)	May 31, 2017 $	August 31, 2016 $	Change $	Explanations
Non-current assets				
Property, plant and equipment	1,952,699	1,989,720	(37,021)	Depreciation expense exceeding capital expenditures, party offset by the appreciation of the US dollar against the Canadian dollar.
Goodwill	1,085,048	1,060,780	24,268	Appreciation of the US dollar against the Canadian dollar.
Non-current liabilities				
Long-term debt	2,597,323	2,838,130	(240,807)	Repayments on the Term Revolving Facility and First Lien Credit Facilities combined with the $100 million Senior Unsecured Debenture maturing in March 2018, partly offset by the appreciation of the US dollar against the Canadian dollar.
Deferred tax liabilities	622,296	601,127	21,169	Appreciation of the US dollar against the Canadian dollar.

7.3 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at June 30, 2017 is presented in the table below. Additional details are provided in Note 12 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	33,774,820	930,815
Options to purchase subordinate voting shares		
Outstanding options	691,342	
Exercisable options	238,863	

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 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.

At May 31, 2017, the Corporation had used $5.4 million of its $800 million Term Revolving Facility for a remaining availability of $794.6 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Revolving Facility of $202.5 million (US$150 million), of which $56.6 million (US$41.9 million) was used at May 31, 2017 for a remaining availability of $145.9 million (US$108.1 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.

Pursuant to the announcement of the Metrocast acquisition, all credit ratings for Cogeco Communications and Atlantic Broadband were confirmed.

7.6 FINANCIAL MANAGEMENT

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 May 31, 2017, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the 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 May 31, 2017:

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 an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.2 million based on the outstanding debt at May 31, 2017.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $7.5 million based on the outstanding debt at May 31, 2017.

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 related to the US dollar is mitigated since the major part of the purchase prices for Atlantic Broadband and Cogeco Peer 1 were borrowed directly in US dollars.

The following table shows the net investments in foreign operations outstanding at May 31, 2017:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$901.7 million	Net investments in foreign operations in US dollar
N/A	£—	£29.2 million	N/A

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 May 31, 2017 was $1.3500 ($1.3116 at August 31, 2016) per US dollar and $1.7387 ($1.7223 at August 31, 2016) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease comprehensive income by approximately $20.1 million.

For the three and nine-month periods ended May 31, 2017, 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			Nine months ended		
	May 31, 2017	May 31, 2016	Change	May 31, 2017	May 31, 2016	Change
	$	$	%	$	$	%
US dollar vs Canadian dollar	**1.3479**	1.2996	3.7	**1.3318**	1.3370	(0.4)
British Pound vs Canadian dollar	**1.7036**	1.8669	(8.7)	**1.6744**	1.9699	(15.0)

The following tables highlight 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 three and nine-month periods ended May 31, 2017:

	Canadian broadband services		American broadband services		Business ICT services		Consolidated	
Quarter ended May 31, 2017	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	328,976	—	165,136	16,513	71,857	3,773	565,158	20,286
Operating expenses	154,853	1,125	97,370	9,736	50,068	2,371	306,132	13,232
Management fees - Cogeco Inc.	—	—	—	—	—	—	4,793	—
Adjusted EBITDA	174,123	(1,125)	67,766	6,777	21,789	1,402	254,233	7,054
Acquisitions of property, plant and equipment, intangible and other assets	57,298	1,755	32,259	3,226	10,645	576	100,202	5,557
Free cash flow	—	—	—	—	—	—	104,728	(258)

(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.

	Canadian broadband services		American broadband services		Business ICT services		Consolidated	
Nine months ended May 31, 2017	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	971,601	—	485,011	48,495	221,177	11,370	1,675,123	59,865
Operating expenses	462,724	2,637	279,710	27,965	151,596	6,991	903,062	37,593
Management fees - Cogeco Inc.	—	—	—	—	—	—	14,286	—
Adjusted EBITDA	508,877	(2,637)	205,301	20,530	69,581	4,379	757,775	22,272
Acquisitions of property, plant and equipment, intangible and other assets	154,581	4,692	99,369	9,930	28,945	1,669	282,895	16,291
Free cash flow	—	—	—	—	—	—	322,894	680

(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)				% of penetration(2)	
		Quarters ended		Nine months ended			
	May 31, 2017	May 31, 2017	May 31, 2016	May 31, 2017 (1)	May 31, 2016	May 31, 2017	May 31, 2016
PSU	1,926,537	(7,959)	(10,544)	10,273	(4,743)		
Video service customers	729,701	(8,274)	(8,109)	(11,061)	(18,101)	42.3	43.9
Internet service customers	764,350	5,198	3,707	29,841	23,531	44.3	42.8
Telephony service customers	432,486	(4,883)	(6,142)	(8,507)	(10,173)	25.1	26.3

(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

For the three and nine-month periods ended May 31, 2017, video service customers net losses stood at 8,274 and 11,061, respectively, compared to 8,109 and 18,101 for the same periods of the prior year. The variation for both periods is mainly due to the customers' ongoing interest in video product offering, including TiVo's digital advanced video services, as well as bundles with fast Internet offerings, in spite of competitive offers in the industry, service category maturity and a changing video consumption environment.

INTERNET

For the three and nine-month periods ended May 31, 2017, Internet service customers net additions stood at 5,198 and 29,841, respectively, compared to 3,707 and 23,531 for the same periods of the prior year as a result of customers' ongoing interest in high speed offerings and in TiVo's digital advanced video services which requires an Internet subscription, the continued growth of customers from Internet resellers and from the business sector as well as the sustained interest in bundle offers.

TELEPHONY

For the three and nine-month periods ended May 31, 2017, telephony service customers net losses amounted to 4,883 and 8,507, respectively, compared to 6,142 and 10,173 for the same periods of the prior year. The telephony service customer 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.

DISTRIBUTION OF CUSTOMERS

At May 31, 2017, 72% (71% in 2016) 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 2016), 39% to the double-play (37% in 2016) and 33% to the triple-play (34% in 2016).

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	May 31, 2017	May 31, 2016	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Revenue	328,976	318,361	3.3	971,601	948,020	2.5
Operating expenses	154,853	153,051	1.2	462,724	457,184	1.2
Adjusted EBITDA	174,123	165,310	5.3	508,877	490,836	3.7
Operating margin	52.9%	51.9%		52.4%	51.8%	

REVENUE

For the three-month period ended May 31, 2017, revenue increased by $10.6 million, or 3.3%, to reach $329.0 million. The increase for the quarter is mainly due to the impact of rate increases implemented in December 2016, the continued growth in Internet services customers combined with the movement of customers to higher value packages and the recognition of $2.1 million non-recurring revenue related to settlements with suppliers. The increase was partly offset by a decline in video and telephony customers as well as the impact of the interim decision of the CRTC, on October 6, 2016, to reduce significantly the third party Internet access ("TPIA") capacity rates.

For the nine-month period ended May 31, 2017, revenue increased by $23.6 million, or 2.5%, to reach $971.6 million. Revenue progression for the first nine months is mainly attributable to the impact of rate increases implemented in December 2016 compared to rate increases implemented in February 2016 in the comparable period of the prior year, the continued growth in Internet services customers combined with the movement of customers to higher value packages and the recognition in the third quarter of fiscal 2017 of $2.1 million non-recurring revenue related to settlements with suppliers. The increase was partly offset by a decline in video and telephony customers as well as the impact of the interim decision of the CRTC, on October 6, 2016, to reduce significantly TPIA capacity rates.

OPERATING EXPENSES

For the three and nine-month periods ended May 31, 2017, operating expense increased by $1.8 million and $5.5 million, or 1.2% for both periods, to reach $154.9 million and $462.7 million, respectively, compared to the same periods of the prior year. The increase for both periods resulted mainly from programming rate increases and additional costs related to the implementation of a new Customer Relations Management system, partly offset by a shift in product mix to higher margin Internet services from traditional video services.

ADJUSTED EBITDA AND OPERATING MARGIN

For the three and nine-month periods ended May 31, 2017, adjusted EBITDA increased by $8.8 million, or 5.3%, and by $18.0 million, or 3.7% to reach $174.1 million and $508.9 million, respectively, compared to the same periods of the prior year mainly as a result of revenue growth, including the $2.1 million non-recurring revenue, exceeding operating expenses growth for both periods. Consequently, operating margins increased from 51.9% to 52.9% and from 51.8% to 52.4%, respectively, compared to the same periods of fiscal 2016.

8.2 AMERICAN BROADBAND SERVICES

CUSTOMER STATISTICS

		Net additions (losses)				% of penetration[1]	
		Quarters ended		Nine months ended			
	May 31, 2017	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
PSU	608,388	6,008	7,206	14,655	18,840		
Video service customers	237,319	(1,703)	(819)	(6,313)	(4,151)	40.1	41.4
Internet service customers	270,336	5,969	6,675	16,672	19,537	45.7	42.1
Telephony service customers	100,733	1,742	1,350	4,296	3,454	17.0	16.1

(1) As a percentage of homes passed.

VIDEO

For the three and nine-month periods ended May 31, 2017, video service customers net losses stood at 1,703 and 6,313, respectively, compared to 819 and 4,151 for the same periods of the prior year. The net losses for both periods resulted mainly from higher churn related to competitive offers in the industry and the implementation of rate increases in September 2016 combined with the changing video consumption environment for both periods. In addition, the net losses for both periods was partly offset by the customers' ongoing interest in TiVo's digital advanced video services.

INTERNET

For the three and nine-month periods ended May 31, 2017, Internet service customers net additions stood at 5,969 and 16,672, respectively, compared to 6,675 and 19,537 for the same periods of the prior year. The net additions stemmed from the customers' ongoing interest in high speed offerings and the continued growth of TiVo's digital video services which requires an Internet subscription, growth in the business sector and the sustained interest in bundle offers.

TELEPHONY

For the three and nine-month periods ended May 31, 2017, telephony service customers net additions stood at 1,742 and 4,296, respectively, compared to 1,350 and 3,454 for the same periods of the prior year mainly as a result of the continued growth in the residential and business sectors.

DISTRIBUTION OF CUSTOMERS

At May 31, 2017, 55% (57% in 2016) 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: 45% (43% in 2016) who subscribe to the single play, 35% (36% in 2016) to the double-play and 20% (21% in 2016) to the triple-play.

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	May 31, 2017	May 31, 2016	Change
(in thousands of dollars, except percentages)	$	$	%	$	$	%
Revenue	165,136	150,369	9.8	485,011	458,773	5.7
Operating expenses	97,370	87,452	11.3	279,710	262,514	6.6
Adjusted EBITDA	67,766	62,917	7.7	205,301	196,259	4.6
Operating margin	41.0%	41.8%		42.3%	42.8%	

REVENUE

For the three and nine-month periods ended May 31, 2017, revenue increased by $14.8 million, or 9.8%, to reach $165.1 million and by $26.2 million, or 5.7%, to reach $485.0 million, respectively, compared to the same periods of the prior year. Revenue increased for both periods primarily as a result of the continued growth in Internet and telephony services customers in both the residential and business sectors combined with rate increases implemented in September 2016. The appreciation of the US dollar against the Canadian dollar contributed to revenue growth in the quarter compared to the same period of the prior year. In addition, revenue progression for the third quarter and the first nine months has been negatively impacted by higher churn as a result of competitive offers in the industry and the rate increases.

For the three and nine-month periods ended May 31, 2017, revenue in local currency amounted to US$122.5 million and US$364.1 million, respectively, compared to US$115.7 million and US$343.2 million for the same periods of fiscal 2016, representing increases of US$6.8 million and US$21.0 million, or 5.9% and 6.1%, respectively.

OPERATING EXPENSES

For the three and nine-month periods ended May 31, 2017, operating expenses increased by $9.9 million, or 11.3%, to reach $97.4 million, and by $17.2 million, or 6.6%, to reach $279.7 million, respectively, compared to the same periods of the prior year. The increase for both periods is mainly due to programming rate increases, costs to serve additional PSU and to support the business sector development combined with additional costs to support the continued expansion in Florida. In addition, the appreciation of the US dollar against the Canadian dollar in the quarter compared to the same period of the prior year also contributed to the operating expense increase.

For the three and nine-month periods ended May 31, 2017, operating expenses in local currency amounted to US$72.2 million and US$210.0 million, respectively, compared to US$67.3 million and US$196.4 million for the same periods of fiscal 2016, representing increases of US$4.9 million and US$13.6 million, or 7.3% and 6.9%, respectively.

ADJUSTED EBITDA AND OPERATING MARGIN

For the three and nine-month periods ended May 31, 2017, adjusted EBITDA increased by $4.8 million, or 7.7%, to reach $67.8 million, and by $9.0 million, or 4.6%, to reach $205.3 million, respectively, compared to the same periods of last year. As a result of operating expenses growth exceeding revenue growth for the three and nine-month periods ended May 31, 2017, operating margins decreased slightly to 41.0% from 41.8% and to 42.3% from 42.8%, respectively, compared to the same periods of fiscal 2016.

For the three and nine-month periods ended May 31, 2017, adjusted EBITDA in local currency amounted to US$50.3 million and US$154.2 million, respectively, compared to US$48.4 million and US$146.8 million for the same periods of the prior year, representing increases of US $1.9 million and US$7.4 million, or 3.9% and 5.0%, respectively.

8.3 BUSINESS ICT SERVICES

OPERATING RESULTS

	Quarters ended			Nine months ended		
	May 31, 2017	May 31, 2016	Change	**May 31, 2017**	May 31, 2016	Change
(in thousands of dollars, except percentages)	**$**	$	%	**$**	$	%
Revenue	**71,857**	72,344	(0.7)	**221,177**	227,984	(3.0)
Operating expenses	**50,068**	49,408	1.3	**151,596**	151,510	0.1
Adjusted EBITDA	**21,789**	22,936	(5.0)	**69,581**	76,474	(9.0)
Operating margin	**30.3%**	31.7%		**31.5%**	33.5%	

REVENUE

For the three and nine-month periods ended May 31, 2017, revenue remained stable and decreased by $6.8 million, or 3.0%, to reach $71.9 million and $221.2 million, respectively, compared to the same periods of fiscal 2016.

Revenue remained stable for the quarter as a result of colocation revenue growth combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year, partly offset by 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.

The decrease for the first nine months 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, partly offset by colocation revenue growth and the recognition of $2 million in non-recurring revenue related to an Indefeasible rights of use ("IRU") agreement concluded in the second quarter of fiscal 2017.

OPERATING EXPENSES

For the three-month period ended May 31, 2017, operating expenses increased by $0.7 million, or 1.3%, to reach $50.1 million compared to $49.4 million for the same period of the prior year. For the nine-month period ended May 31, 2017, operating expenses remained essentially the same at $151.6 million compared to $151.5 million for the same period of the prior year.

The increase for the quarter resulted mainly from additional facilities costs, IT expense and marketing initiatives due to the timing of certain initiatives combined with the appreciation of the US dollar against the Canadian dollar, partly offset by the depreciation of the British Pound currency against the Canadian dollar compared to the same period of the prior year.

The slight increase for the first nine months is mainly due to additional facilities costs and IT expense, partly offset by a $1.8 million gain on disposal of property, plant and equipment in the first quarter of fiscal 2017 combined with the depreciation of the British Pound currency against the Canadian dollar compared to the same period of the prior year.

ADJUSTED EBITDA AND OPERATING MARGIN

For the third quarter of fiscal 2017, adjusted EBITDA decreased by $1.1 million, or 5.0%, to reach $21.8 million mainly from stable revenue combined with increased operating expenses compared to the same period of the prior year. For the first nine months of fiscal 2017, adjusted EBITDA decreased by $6.9 million, or 9.0%, to reach $69.6 million due to declining revenue. Consequently, operating margins decreased to 30.3% from 31.7% and to 31.5% from 33.5%, respectively, compared to the same periods of fiscal 2016.

9. FISCAL 2018 PRELIMINARY FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook of Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" sectors of the present MD&A and the Corporation's 2016 annual MD&A.

These preliminary financial guidelines do not include the expected financial results from the announcement of the agreement for the acquisition of MetroCast by the Corporation's subsidiary, Atlantic Broadband. They will be revised when the transaction is concluded.

Cogeco Communications expects fiscal 2018 revenue to reach between $2.30 billion and $2.33 billion. In the Canadian broadband services segment, revenue growth should stem primarily from the residential and business sectors as well as from the impact of rate increases in most services. Residential revenue should also increase from the ongoing interest in Internet services, partly offset by a decline in video and telephony services as a result of service category maturity, competitive offers in the industry and a changing in video consumption environment. In addition, we expect the penetration of digital video and Internet services to continue to benefit from customers' ongoing interest in TiVo's digital advanced video services. Growth in the business sector should come from the increasing demand in Internet and telephony services as well as from Internet resellers customers. In the American broadband services segment, revenue growth should stem primarily from PSU growth in both residential and business sectors combined with the impact of rate increases in most services. Revenue in the residential sector should continue to benefit from customers' ongoing interest in all its services including TiVo's digital advanced video services as well as from the continued expansion in Florida. In addition, revenue growth in the business sector should be driven by new offerings in the Internet and telephony services. In the Business ICT services segment, revenue growth should stem primarily from cloud services due to additional services, partly offset by a decline in network connectivity services as a result of competitive pricing pressures.

Adjusted EBITDA should reach between $1,025 million and $1,050 million from revenue growth exceeding operating expenses as a result of cost reduction initiatives from improved systems and processes, partly offset by marketing initiatives, additional costs to support the revenue growth and annual increases in programming costs. Operating margin should remain essentially the same as the fiscal 2017 revised financial guidelines.

Free cash flow should remain in the same range as the fiscal 2017 revised financial guidelines as a result of the improvement of the adjusted EBITDA, partly offset by increases in capital expenditures and in current income taxes. As a result, generated free cash flow should reduce Indebtedness, net of cash and cash equivalents, thus improving the Corporation's net leverage ratios.

The capital intensity ratio should increase compared to the fiscal 2017 revised financial guidelines mainly as a result of significantly higher capital expenditures for the American broadband services segment as a result of continued expansion in high growth segments in Florida.

The following table outlines fiscal 2018 preliminary financial guidelines ranges on a consolidated basis:

	Preliminary projections Fiscal 2018 (1)	Revised projections November 2, 2016 Fiscal 2017
(in millions of dollars)	$	$
Financial guidelines		
Revenue	2,300 to 2,330	2,200 to 2,230
Adjusted EBITDA	1,025 to 1,050	980 to 1,005
Operating margin	44.6% to 45.1%	44.5% to 45.1%
Acquisitions of property, plant and equipment, intangible and other assets	470 to 485	430 to 445
Free cash flow	345 to 375	345 to 375
Capital intensity	20.5% to 21.0%	19.5% to 20.0%

(1) Fiscal 2018 financial guidelines are based on an estimated USD/CDN exchange rate of 1.33 and a GBP/CDN exchange rate of 1.65 compared to 1.32 and 1.65, respectively, for the fiscal 2017 revised financial guidelines. The assumed current income tax effective rate is approximately 23%.

10. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and 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 May 31, 2017, and concluded that they are adequate. Furthermore, no significant changes to the internal controls over financial reporting occurred during the three and nine-month periods ended May 31, 2017.

11. 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. The Commission existing subsidy regime for local telephone service will gradually be phased out and 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%. Two follow-up proceedings have been initiated in April 2017 to examine all matters related to the new funding mechanism and how the existing local subsidy regime should be phased out.

In the Budget Plan dated March 23, 2017, the Federal Government proposed to review and modernize the *Broadcasting Act* and the *Telecommunications Act*. In this review, the Government indicated that it will examine issues such as telecommunications and content creation in the digital age, net neutrality and cultural diversity and how to strengthen the future of Canadian media and Canadian content creation. The timeline and details of this review will be announced at a later date. It is not possible, at this time, to determine if these reviews will have a material impact on the activities of the Corporation.

12. ACCOUNTING POLICIES

12.1 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 and nine-month periods ended May 31, 2017 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.

12.2 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

13. 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 (loss) for the period add: - Income taxes; - Financial expense; - Depreciation and amortization; - Integration, restructuring and acquisition costs; - Impairment of goodwill and intangible assets; and - Claims and litigations.	Profit (loss) 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

13.1 FREE CASH FLOW RECONCILIATION

	Quarters ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
(in thousands of dollars)	$	$	$	$
Cash flow from operating activities	**241,689**	181,498	**610,700**	483,545
Amortization of deferred transaction costs and discounts on long-term debt	**2,235**	2,244	**6,633**	6,892
Changes in non-cash operating activities	**(28,891)**	(36,050)	**43,180**	21,623
Income taxes paid	**562**	39,825	**5,651**	104,550
Current income taxes	**(21,529)**	(24,528)	**(67,244)**	(70,635)
Financial expense paid	**42,656**	48,909	**103,226**	112,906
Financial expense	**(31,792)**	(32,792)	**(96,357)**	(101,984)
Acquisition of property, plant and equipment	**(95,447)**	(89,629)	**(268,552)**	(341,632)
Acquisition of intangible and other assets	**(4,755)**	(4,813)	**(14,343)**	(15,861)
Free cash flow	**104,728**	84,664	**322,894**	199,404

13.2 ADJUSTED EBITDA AND OPERATING MARGIN RECONCILIATION

	Quarters ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
(in thousands of dollars, except percentages)	$	$	$	$
Profit (loss) for the period	**76,203**	(387,357)	**227,890**	(264,209)
Income taxes	**26,641**	12,127	**75,602**	51,225
Financial expense	**31,792**	32,792	**96,357**	101,984
Impairment of goodwill and intangible assets	**—**	450,000	**—**	450,000
Depreciation and amortization	**119,597**	123,928	**357,926**	378,664
Claims and litigations	**—**	10,499	**—**	10,499
Integration, restructuring and acquisition costs	**—**	1,126	**—**	7,476
Adjusted EBITDA	**254,233**	243,115	**757,775**	735,639
Revenue	**565,158**	540,257	**1,675,123**	1,632,093
Operating margin	**45.0%**	45.0%	**45.2%**	45.1%

13.3 CAPITAL INTENSITY RECONCILIATION

	Quarters ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
(in thousands of dollars, except percentages)	$	$	$	$
Acquisition of property, plant and equipment	**95,447**	89,629	**268,552**	341,632
Acquisition of intangible and other assets	**4,755**	4,813	**14,343**	15,861
Total acquisitions of property, plant and equipment, intangible and other assets	**100,202**	94,442	**282,895**	357,493
Revenue	**565,158**	540,257	**1,675,123**	1,632,093
Capital intensity	**17.7%**	17.5%	**16.9%**	21.9%

14. SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

Quarters ended	May 31,		February 28,	February 29,	November 30,		August 31,	
(in thousands of dollars, except percentages and per share data)	**2017**	2016	**2017**	2016	**2016**	2015	2016	2015
	$	$	**$**	$	**$**	$	$	$
Revenue	**565,158**	540,257	**560,875**	551,523	**549,090**	540,313	544,056	520,419
Adjusted EBITDA	**254,233**	243,115	**253,839**	248,382	**249,703**	244,142	247,810	240,592
Operating margin	**45.0%**	45.0%	**45.3%**	45.0%	**45.5%**	45.2%	45.5%	46.2%
Integration, restructuring and acquisition costs	**—**	1,126	**—**	4,320	**—**	2,030	1,326	6,942
Claims and litigations	**—**	10,499	**—**	—	**—**	—	292	(27,431)
Impairment of goodwill and intangible assets	**—**	450,000	**—**	—	**—**	—	—	—
Profit (loss) for the period	**76,203**	(387,357)	**76,663**	62,042	**75,024**	61,106	74,581	77,986
Cash flow from operating activities	**241,689**	181,498	**245,550**	205,954	**123,461**	96,093	261,623	271,328
Acquisitions of property, plant and equipment, intangible and other assets	**100,202**	94,442	**86,199**	116,732	**96,494**	146,319	110,017	129,946
Free cash flow	**104,728**	84,664	**116,787**	74,698	**101,379**	40,042	81,594	72,047
Capital intensity	**17.7%**	17.5%	**15.4%**	21.2%	**17.6%**	27.1%	20.2%	25.0%
Earnings (loss) per share(1)								
Basic	**1.55**	(7.89)	**1.56**	1.27	**1.53**	1.25	1.52	1.59
Diluted	**1.54**	(7.89)	**1.55**	1.26	**1.52**	1.24	1.52	1.58
Dividends per share	**0.43**	0.39	**0.43**	0.39	**0.43**	0.39	0.39	0.35

(1) Per multiple and subordinate voting share.

14.1 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.

15. ADDITIONAL INFORMATION

This MD&A was prepared on July 13, 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
July 13, 2017

COGECO COMMUNICATIONS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine-month periods ended May 31, 2017

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2017**	2016	**2017**	2016
(In thousands of Canadian dollars, except per share data)		**$**	$	**$**	$
Revenue	*3*	**565,158**	540,257	**1,675,123**	1,632,093
Operating expenses	*5*	**306,132**	292,555	**903,062**	882,566
Management fees – Cogeco Inc.	*17*	**4,793**	4,587	**14,286**	13,888
Integration, restructuring and acquisition costs	*3*	**—**	1,126	**—**	7,476
Claims and litigations	*3*	**—**	10,499	**—**	10,499
Depreciation and amortization	*6*	**119,597**	123,928	**357,926**	378,664
Impairment of goodwill and intangible assets	*7*	**—**	450,000	**—**	450,000
Financial expense	*8*	**31,792**	32,792	**96,357**	101,984
Income taxes	*9*	**26,641**	12,127	**75,602**	51,225
Profit (loss) for the period		**76,203**	(387,357)	**227,890**	(264,209)
Earnings (loss) per share					
Basic	*10*	**1.55**	(7.89)	**4.63**	(5.39)
Diluted	*10*	**1.54**	(7.89)	**4.60**	(5.39)

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

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
(In thousands of Canadian dollars)	**$**	$	**$**	$
Profit (loss) for the period	**76,203**	(387,357)	**227,890**	(264,209)
Other comprehensive income (loss)				
Items to be subsequently reclassified to profit or loss				
Cash flow hedging adjustments				
Net change in fair value of hedging derivative financial instruments	**(146)**	788	**1,459**	(49,813)
Net change in fair value of hedging derivative financial instruments reclassified to financial expense	**—**	—	**—**	48,108
Related income taxes	**39**	(198)	**(368)**	402
	(107)	590	**1,091**	(1,303)
Foreign currency translation adjustments				
Net foreign currency translation differences on net investments in foreign operations	**14,278**	(27,342)	**21,464**	(3,917)
Net changes on translation of long-term debt designated as hedges of net investments in foreign operations	**(10,067)**	19,406	**(16,342)**	4,550
Related income taxes	**(155)**	—	**(406)**	—
	4,056	(7,936)	**4,716**	633
	3,949	(7,346)	**5,807**	(670)
Items not to be subsequently reclassified to profit or loss				
Defined benefit plans actuarial adjustments				
Remeasurement of net defined benefit liability	**(1,663)**	(291)	**6,364**	(2,421)
Related income taxes	**441**	78	**(1,686)**	651
	(1,222)	(213)	**4,678**	(1,770)
Other comprehensive income (loss) for the period	**2,727**	(7,559)	**10,485**	(2,440)
Comprehensive income (loss) for the period	**78,930**	(394,916)	**238,375**	(266,649)

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 12)		*(Note 13)*	*(restated, Note 2)*	
Balance at August 31, 2015	1,001,618	12,535	83,820	544,772	1,642,745
Loss for the period	—	—	—	(264,209)	(264,209)
Other comprehensive loss for the period	—	—	(670)	(1,770)	(2,440)
Comprehensive loss for the period	—	—	(670)	(265,979)	(266,649)
Issuance of subordinate voting shares under the Stock Option Plan	5,193	—	—	—	5,193
Share-based payment	—	5,286	—	—	5,286
Share-based payment previously recorded in share-based payment reserve for options exercised	1,243	(1,243)	—	—	—
Dividends on multiple voting shares (Note 12 C))	—	—	—	(18,359)	(18,359)
Dividends on subordinate voting shares (Note 12 C))	—	—	—	(38,985)	(38,985)
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	4,631	(3,867)	—	(764)	—
Total contributions by (distributions to) shareholders	6,492	176	—	(58,108)	(51,440)
Balance at May 31, 2016	1,008,110	12,711	83,150	220,685	1,324,656
Balance at August 31, 2016	**1,008,467**	**13,328**	**84,627**	**273,493**	**1,379,915**
Profit for the period	—	—	—	227,890	227,890
Other comprehensive income for the period	—	—	5,807	4,678	10,485
Comprehensive income for the period	—	—	5,807	232,568	238,375
Issuance of subordinate voting shares under the Stock Option Plan	5,111	—	—	—	5,111
Share-based payment	—	3,612	—	—	3,612
Share-based payment previously recorded in share-based payment reserve for options exercised	1,078	(1,078)	—	—	—
Dividends on multiple voting shares (Note 12 C))	—	—	—	(20,242)	(20,242)
Dividends on subordinate voting shares (Note 12 C))	—	—	—	(43,241)	(43,241)
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	4,056	(3,859)	—	(197)	—
Total contributions by (distributions to) shareholders	6,809	(1,325)	—	(63,680)	(58,196)
Balance at May 31, 2017	**1,015,276**	**12,003**	**90,434**	**442,381**	**1,560,094**

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

(In thousands of Canadian dollars)	*Notes*	**May 31, 2017** $	August 31, 2016 $
			(restated, Note 2)
Assets			
Current			
Cash and cash equivalents	*14 B)*	**102,067**	62,286
Trade and other receivables		**101,791**	115,435
Income taxes receivable		**8,216**	12,701
Prepaid expenses and other		**23,980**	16,208
Derivative financial instrument		**286**	1,040
		236,340	207,670
Non-current			
Other assets		**5,752**	7,944
Property, plant and equipment		**1,952,699**	1,989,720
Intangible assets		**2,058,783**	2,059,548
Goodwill		**1,085,048**	1,060,780
Derivative financial instrument		**1,008**	—
Deferred tax assets		**9,171**	7,587
		5,348,801	5,333,249
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**3,367**	4,115
Trade and other payables		**218,391**	289,668
Provisions		**24,855**	30,688
Income tax liabilities		**83,586**	26,680
Deferred and prepaid revenue		**73,743**	61,316
Balance due on a business combination		**118**	—
Intercompany note payable - Cogeco Inc.	*17*	**—**	40,000
Current portion of long-term debt	*11*	**129,197**	22,516
		533,257	474,983
Non-current			
Long-term debt	*11*	**2,597,323**	2,838,130
Derivative financial instruments		**—**	165
Deferred and prepaid revenue and other liabilities		**32,920**	30,120
Pension plan liabilities and accrued employee benefits		**2,911**	8,809
Deferred tax liabilities		**622,296**	601,127
		3,788,707	3,953,334
Shareholders' equity			
Share capital	*12 B)*	**1,015,276**	1,008,467
Share-based payment reserve		**12,003**	13,328
Accumulated other comprehensive income	*13*	**90,434**	84,627
Retained earnings		**442,381**	273,493
		1,560,094	1,379,915
		5,348,801	5,333,249

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

		Three months ended May 31,		Nine months ended May 31,	
	Notes	**2017**	2016	**2017**	2016
(In thousands of Canadian dollars)		**$**	$	**$**	$
Cash flow from operating activities					
Profit (loss) for the period		**76,203**	(387,357)	**227,890**	(264,209)
Adjustments for:					
Depreciation and amortization	*6*	**119,597**	123,928	**357,926**	378,664
Impairment of goodwill and intangible assets	*7*	**—**	450,000	**—**	450,000
Financial expense	*8*	**31,792**	32,792	**96,357**	101,984
Income taxes	*9*	**26,641**	12,127	**75,602**	51,225
Share-based payment	*12 D)*	**1,775**	1,892	**4,511**	5,495
Loss on disposals and write-offs of property, plant and equipment		**1,557**	537	**1,067**	1,495
Defined benefit plans contributions, net of expense		**(1,549)**	263	**(596)**	(2,030)
		256,016	234,182	**762,757**	722,624
Changes in non-cash operating activities	*14 A)*	**28,891**	36,050	**(43,180)**	(21,623)
Financial expense paid		**(42,656)**	(48,909)	**(103,226)**	(112,906)
Income taxes paid		**(562)**	(39,825)	**(5,651)**	(104,550)
		241,689	181,498	**610,700**	483,545
Cash flow from investing activities					
Acquisition of property, plant and equipment		**(95,447)**	(89,629)	**(268,552)**	(341,632)
Acquisition of intangible and other assets		**(4,755)**	(4,813)	**(14,343)**	(15,861)
Business combination, net of cash and cash equivalents acquired		**—**	—	**(804)**	—
Proceeds on disposals of property, plant and equipment		**—**	286	**8,467**	585
Other		**(10)**	(778)	**(10)**	156
		(100,212)	(94,934)	**(275,242)**	(356,752)
Cash flow from financing activities					
Increase (decrease) in bank indebtedness		**(2,043)**	3,534	**(748)**	26,863
Repayment of intercompany note payable - Cogeco inc.		**(40,000)**	—	**(40,000)**	—
Net increases (decreases) under the revolving facilities		**(20,326)**	(37,238)	**(173,323)**	36,459
Repayments of long-term debt and settlement of derivative financial instruments		**(1,601)**	(9,339)	**(19,444)**	(240,629)
Repayment of balance due on a business combination		**(837)**	—	**(837)**	—
Transaction costs on long-term debt conversion and increase in deferred transaction costs		**—**	(668)	**(440)**	(1,108)
Issuance of subordinate voting shares	*12 B)*	**479**	592	**5,111**	5,193
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*12 B)*	**—**	—	**(3,436)**	(4,575)
Dividends paid on multiple voting shares	*12 C)*	**(6,748)**	(6,120)	**(20,242)**	(18,359)
Dividends paid on subordinate voting shares	*12 C)*	**(14,422)**	(13,029)	**(43,241)**	(38,985)
		(85,498)	(62,268)	**(296,600)**	(235,141)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**253**	(256)	**923**	(60)
Net change in cash and cash equivalents		**56,232**	24,040	**39,781**	(108,408)
Cash and cash equivalents, beginning of the period		**45,835**	30,718	**62,286**	163,166
Cash and cash equivalents, end of the period		**102,067**	54,758	**102,067**	54,758

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "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 the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband name 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, 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 31.7% 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 July 13, 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 May 31, 2017
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	328,976	165,136	71,857	(811)	565,158
Operating expenses	154,853	97,370	50,068	3,841	306,132
Management fees – Cogeco Inc.	—	—	—	4,793	4,793
Segment profit (loss)	174,123	67,766	21,789	(9,445)	254,233
Depreciation and amortization	57,781	35,791	25,948	77	119,597
Financial expense					31,792
Income taxes					26,641
Profit for the period					76,203
Acquisition of property, plant and equipment	54,785	30,994	9,668	—	95,447
Acquisition of intangible and other assets	2,513	1,265	977	—	4,755

(1) Revenue by geographic market includes $370,624 in Canada, $186,802 in the United States and $7,732 in Europe.

					Three months ended May 31, 2016
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue (1)	318,361	150,369	72,344	(817)	540,257
Operating expenses	153,051	87,452	49,408	2,644	292,555
Management fees – Cogeco Inc.	—	—	—	4,587	4,587
Segment profit (loss)	165,310	62,917	22,936	(8,048)	243,115
Integration, restructuring and acquisition costs (2)	—	21	1,105	—	1,126
Claims and litigations (3)	—	—	10,499	—	10,499
Depreciation and amortization	60,517	31,951	31,385	75	123,928
Impairment of goodwill and intangible assets (Note 7)	—	—	450,000	—	450,000
Financial expense					32,792
Income taxes					12,127
Loss for the period					(387,357)
Acquisition of property, plant and equipment	33,812	24,973	30,844	—	89,629
Acquisition of intangible and other assets	3,235	1,000	578	—	4,813

(1) Revenue by geographic market includes $357,954 in Canada, $173,170 in the United States and $9,133 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) Comprised of costs related to the settlement of claims and costs related to litigations.

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

					Nine months ended May 31, 2017
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue [1]	971,601	485,011	221,177	(2,666)	1,675,123
Operating expenses	462,724	279,710	151,596	9,032	903,062
Management fees – Cogeco Inc.	—	—	—	14,286	14,286
Segment profit (loss)	508,877	205,301	69,581	(25,984)	757,775
Depreciation and amortization	174,812	103,534	79,353	227	357,926
Financial expense					96,357
Income taxes					75,602
Profit for the period					227,890
Property, plant and equipment	1,083,665	470,862	397,645	527	1,952,699
Intangible assets	990,602	981,106	87,075	—	2,058,783
Goodwill	4,662	807,654	272,732	—	1,085,048
Acquisition of property, plant and equipment	146,735	95,770	26,047	—	268,552
Acquisition of intangible and other assets	7,846	3,599	2,898	—	14,343

(1) Revenue by geographic market includes $1,100,391 in Canada, $550,960 in the United States and $23,772 in Europe.

					Nine months ended May 31, 2016
	Canadian broadband services	American broadband services	Business ICT services	Inter-segment eliminations and other	Consolidated
	$	$	$	$	$
Revenue [1]	948,020	458,773	227,984	(2,684)	1,632,093
Operating expenses	457,184	262,514	151,510	11,358	882,566
Management fees – Cogeco Inc.	—	—	—	13,888	13,888
Segment profit (loss)	490,836	196,259	76,474	(27,930)	735,639
Integration, restructuring and acquisition costs [2]	2,752	594	4,130	—	7,476
Claims and litigations [3]	—	—	10,499	—	10,499
Depreciation and amortization	182,970	97,427	98,042	225	378,664
Impairment of goodwill and intangible assets (Note 7)	—	—	450,000	—	450,000
Financial expense					101,984
Income taxes					51,225
Loss for the period					(264,209)
Property, plant and equipment [4]	1,106,192	444,666	438,108	754	1,989,720
Intangible assets [4]	988,957	970,790	99,801	—	2,059,548
Goodwill [4]	4,662	784,680	271,438	—	1,060,780
Acquisition of property, plant and equipment	178,568	83,218	79,820	26	341,632
Acquisition of intangible and other assets	8,940	2,949	3,972	—	15,861

(1) Revenue by geographic market includes $1,067,664 in Canada, $535,071 in the United States and $29,358 in Europe.

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

(3) Comprised of costs related to the settlement of claims and costs related to litigations.

(4) 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 May 31, 2017 and August 31, 2016:

				At May 31, 2017
	Canada	United States	Europe	Total
	$	**$**	**$**	**$**
Property, plant and equipment	**1,397,249**	**522,042**	**33,408**	**1,952,699**
Intangible assets	**1,046,038**	**1,008,181**	**4,564**	**2,058,783**
Goodwill	**221,867**	**848,201**	**14,980**	**1,085,048**

				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 was subject to post closing adjustments, which were completed in the second quarter of 2017. The final allocation of the purchase price of this acquisition is as follows:

	Preliminary November 30, 2016	**Final February 28, 2017**
	$	**$**
Purchase price		
Consideration paid	880	**880**
Balance due on a business combination	896	**955**
	1,776	**1,835**
Net assets acquired		
Cash and cash equivalents	76	**76**
Trade and other receivables	70	**57**
Prepaid expenses and other	9	**9**
Property, plant and equipment	204	**204**
Intangible assets	2,296	**2,358**
Trade and other payables assumed	(102)	**(92)**
Income tax liabilities	(13)	**(13)**
Deferred and prepaid revenue	(10)	**(10)**
Deferred tax liabilities	(549)	**(549)**
Long-term debt assumed	(205)	**(205)**
	1,776	**1,835**

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

5. OPERATING EXPENSES

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Salaries, employee benefits and outsourced services	**90,765**	88,042	**268,959**	265,531
Service delivery costs (1)	**167,441**	162,167	**496,410**	485,908
Customer related costs (2)	**15,994**	16,427	**49,940**	49,486
Other external purchases (3)	**31,932**	25,919	**87,753**	81,641
	306,132	292,555	**903,062**	882,566

(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 May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Depreciation of property, plant and equipment	**103,881**	106,510	**311,205**	325,345
Amortization of intangible assets	**15,716**	17,418	**46,721**	53,319
	119,597	123,928	**357,926**	378,664

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

During the three-month period ended May 31, 2016, management reviewed downwards its future financial projections, resulting in a decrease in the value of the Corporation's investment in Cogeco Peer 1. As a result, the Corporation tested goodwill and all long-lived assets of Cogeco Peer 1 for impairment at May 31, 2016. Based on lower expectations for future revenue, profitability and cash flow growth, the Corporation recorded a non-cash impairment loss of $428.5 million on goodwill. In addition, the Corporation also completed its impairment testing on the long-lived assets and concluded that the carrying value of the customer relationships exceeded their recoverable amount, calculated as the discounted future cash flows expected to be generated from the asset. As a result, a non-cash impairment loss of $21.5 million was also recognized during the three-month period ended May 31, 2016 regarding the customer relationships.

At May 31, 2017, the Corporation tested goodwill and long-lived assets of Cogeco Peer 1 for impairment, due to the financial performance indicators being lower than initially projected. The recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognized at May 31, 2017.

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

8. FINANCIAL EXPENSE

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Interest on long-term debt	**31,251**	32,309	**93,704**	100,026
Net foreign exchange gains	**(723)**	(599)	**(912)**	(1,988)
Amortization of deferred transaction costs	**641**	605	**1,887**	1,827
Capitalized borrowing costs (1)	**(738)**	(509)	**(2,097)**	(1,318)
Other	**1,361**	986	**3,775**	3,437
	31,792	32,792	**96,357**	101,984

(1) For the three and nine-month periods ended May 31, 2017 and 2016, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

9. INCOME TAXES

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Current	**21,529**	24,528	**67,244**	70,635
Deferred	**5,112**	(12,401)	**8,358**	(19,410)
	26,641	12,127	**75,602**	51,225

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

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Profit (loss) before income taxes	**102,844**	(375,230)	**303,492**	(212,984)
Combined Canadian income tax rate	**26.50%**	26.92%	**26.50%**	27.12%
Income taxes at combined Canadian income tax rate	**27,254**	(101,030)	**80,426**	(57,756)
Adjustment for losses or profit subject to lower or higher tax rates	**2,857**	(695)	**8,346**	3,260
Revaluation of deferred tax assets	**(293)**	12,278	**(29)**	12,278
Impact on deferred taxes as a result of changes in substantively enacted tax rates	**—**	(343)	**(1,714)**	1,294
Impact on income taxes arising from non-deductible expenses and non-taxable profit (1)	**(6)**	107,348	**89**	107,730
Tax impacts related to investments in foreign operations	**(4,327)**	(5,423)	**(12,762)**	(16,616)
Other	**1,156**	(8)	**1,246**	1,035
Income taxes at effective income tax rate	**26,641**	12,127	**75,602**	51,225

(1) Comprised of $107.2 million of non-deductible impairment of goodwill and intangible assets for the three and nine-month periods ended May 31, 2016.

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

10. EARNINGS (LOSS) PER SHARE

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

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Profit (loss) for the period	**76,203**	(387,357)	**227,890**	(264,209)
Weighted average number of multiple and subordinate voting shares outstanding	**49,230,481**	49,096,586	**49,188,494**	49,005,630
Effect of dilutive stock options (1) (2)	**176,273**	—	**141,753**	—
Effect of dilutive incentive share units (2)	**104,035**	—	**114,349**	—
Effect of dilutive performance share units (2)	**115,817**	—	**110,251**	—
Weighted average number of diluted multiple and subordinate voting shares outstanding	**49,626,606**	49,096,586	**49,554,847**	49,005,630
Earnings (loss) per share				
Basic	**1.55**	(7.89)	**4.63**	(5.39)
Diluted	**1.54**	(7.89)	**4.60**	(5.39)

(1) For the three and nine-month periods ended May 31, 2017, 2,475 and 6,375 stock options (162,900 and 170,200 in 2016) 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.

(2) The weighted average dilutive potential of subordinate voting shares which amounted to 387,097 and 435,822 for the three and nine-month periods ended May 31,2016, is anti-dilutive due to the loss for the period.

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

11. LONG-TERM DEBT

	Maturity	Interest rate		May 31, 2017	August 31, 2016
		%		$	$
Corporation					
Term Revolving Facility (1)					
Canadian Revolving Facility					
Revolving loan – US$59.5 million at August 31, 2016	January 2022	—		—	78,040
Revolving loan – £23.6 million at August 31, 2016	January 2022	—		—	40,646
UK Revolving Facility – £4.4 million at August 31, 2016	January 2022	—		—	7,578
Senior Secured Notes					
Series A – US$25 million	September 2024	4.14		33,635	32,665
Series B - US$150 million	September 2026	4.29		201,769	195,961
Senior Secured Notes Series B	October 2018	7.60		54,905	54,853
Senior Secured Notes - US$215 million	June 2025	4.30		289,129	280,787
Senior Secured Debentures Series 2	November 2020	5.15		199,309	199,174
Senior Secured Debentures Series 3	February 2022	4.93		199,016	198,878
Senior Secured Debentures Series 4	May 2023	4.18		298,006	297,788
Senior Unsecured Debenture	March 2018	5.94		99,969	99,939
Senior Unsecured Notes – US$400 million	May 2020	4.88		536,416	520,201
Subsidiaries					
First Lien Credit Facilities					
Term Loan A-2 Facility – US$95.7 million (US$98.2 million at August 31, 2016)	September 2019	2.92	(2) (3)	127,955	127,146
Term Loan A-3 Facility - US$119.9 million (US$124.6 million at August 31, 2016)	September 2019	2.92	(2) (3)	160,288	161,284
Term Loan B Facility – US$355.4 million (US$362.6 million at August 31, 2016)	December 2019	3.54	(2)	472,123	466,024
Revolving Facility – US$40 million (US$76 million at August 31, 2016)	September 2019	2.92	(2)	54,000	99,682
				2,726,520	2,860,646
Less current portion				129,197	22,516
				2,597,323	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) 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)

12. 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

	May 31, 2017	August 31, 2016
	$	$
15,691,100 multiple voting shares	98,346	98,346
33,774,480 subordinate voting shares (33,673,541 at August 31, 2016)	930,789	924,600
	1,029,135	1,022,946
105,219 subordinate voting shares held in trust under the Incentive Share Unit Plan (160,323 at August 31, 2016)	(5,801)	(8,527)
122,614 subordinate voting shares held in trust under the Performance Share Unit Plan (89,632 at August 31, 2016)	(8,058)	(5,952)
	1,015,276	1,008,467

During the first nine 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	100,939	5,111
Share-based payment previously recorded in share-based payment reserve for options exercised	—	1,078
Balance at May 31, 2017	33,774,480	930,789

During the first nine 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	(74,495)	(3,966)
Balance at May 31, 2017	105,219	5,801

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

During the first nine 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	(1,362)	(90)
Balance at May 31, 2017	122,614	8,058

C) DIVIDENDS

For the nine-month period ended May 31, 2017, quarterly eligible dividends of $0.43 per share, for a total of $1.29 per share, were paid to the holders of multiple and subordinate voting shares, totaling $63.5 million, compared to quarterly eligible dividends of $0.39 per share for a total of $1.17 per share or $57.3 million for the nine-month period ended May 31, 2016.

At its July 13, 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 August 10, 2017 to shareholders of record on July 27, 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 May 31, 2017:

	Options	Weighted average exercise price
		$
Outstanding at August 31, 2016	645,626	53.67
Granted (1)	210,650	62.43
Exercised (2)	(100,939)	50.64
Cancelled	(63,655)	60.60
Outstanding at May 31, 2017	691,682	56.14
Exercisable at May 31, 2017	239,203	47.07

(1) During the nine-month period ended May 31, 2017, 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 $68.25.

A compensation expense of $171,000 and $427,000 ($214,000 and $473,000 in 2016) was recorded for the three and nine-month periods ended May 31, 2017 related to this plan.

The weighted average fair value of stock options granted for the nine-month period ended May 31, 2017 was $8.96 ($11.36 in 2016) 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:

	2017	2016
	%	%
Expected dividend yield	2.52	2.08
Expected volatility	21.28	22.34
Risk-free interest rate	0.81	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 May 31, 2017:

Outstanding at August 31, 2016	**144,623**
Granted [1]	**41,075**
Distributed	**(74,495)**
Cancelled	**(9,665)**
Outstanding at May 31, 2017	**101,538**

(1) During the nine-month period ended May 31, 2017, the Corporation did not grant any ISUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $522,000 and $1,472,000 ($784,000 and $2,909,000 in 2016) was recorded for the three and nine-month periods ended May 31, 2017 related to this plan.

Under the PSU Plan, the following PSUs were granted by the Corporation and are outstanding at May 31, 2017:

Outstanding at August 31, 2016	**81,376**
Granted [1]	**50,925**
Distributed	**(1,362)**
Cancelled	**(18,421)**
Dividend equivalents	**2,131**
Outstanding at May 31, 2017	**114,649**

(1) During the nine-month period ended May 31, 2017, the Corporation granted 12,150 PSUs to Cogeco's executive officers as executive officers of the Corporation.

A compensation expense of $353,000 and $728,000 ($323,000 and $850,000 in 2016) was recorded for the three and nine-month periods ended May 31, 2017 related to this plan.

Under the DSU Plan, the following DSUs were issued by the Corporation and are outstanding at May 31, 2017:

Outstanding at August 31, 2016	**32,483**
Issued	**7,097**
Dividend equivalents	**670**
Outstanding at May 31, 2017	**40,250**

A compensation expense of $387,000 and $899,000 ($205,000 and $209,000 in 2016) was recorded for the three and nine-month periods ended May 31, 2017 related to this plan.

13. 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 (loss)	(1,303)	633	(670)
Balance at May 31, 2016	27	83,123	83,150
Balance at August 31, 2016	**(121)**	**84,748**	**84,627**
Other comprehensive income	**1,091**	**4,716**	**5,807**
Balance at May 31, 2017	**970**	**89,464**	**90,434**

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

14. STATEMENTS OF CASH FLOWS

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables	**16,822**	4,515	**14,193**	20,436
Prepaid expenses and other	**(639)**	5,446	**(7,147)**	1,869
Trade and other payables	**9,146**	17,474	**(57,386)**	(53,674)
Provisions	**(9,179)**	6,634	**(7,254)**	7,133
Deferred and prepaid revenue and other liabilities	**12,741**	1,981	**14,414**	2,613
	28,891	36,050	**(43,180)**	(21,623)

B) CASH AND CASH EQUIVALENTS

At May 31, 2017 and August 31, 2016, the Corporation had no cash equivalents.

15. EMPLOYEE BENEFITS

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

The total expense related to these plans is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Defined benefit plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)				
Current service cost	**661**	560	**1,984**	1,680
Administrative expense	**65**	49	**195**	147
Recognized in financial expense (other)				
Net interest	**58**	21	**174**	65
Defined contribution and collective registered retirement saving plans				
Recognized in operating expenses (salaries, employee benefits and outsourced services)	**2,036**	1,971	**6,636**	6,461
	2,820	2,601	**8,989**	8,353

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

16. 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 May 31, 2017, the Corporation had used $5.4 million of its $800 million Term Revolving Facility for a remaining availability of $794.6 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Revolving Facility of $202.5 million (US$150 million), of which $56.6 million (US$41.9 million) was used at May 31, 2017 for a remaining availability of $145.9 million (US$108.1 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 May 31, 2017, all of the Corporation's long-term debt was at fixed rate, except for the amounts drawn under the 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 May 31, 2017:

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 an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.2 million based on the outstanding debt at May 31, 2017.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its long-term debt denominated in US dollars. The impact of an increase of 10% in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $7.5 million based on the outstanding debt at May 31, 2017.

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 related to the US dollar is mitigated since the major part of the purchase prices for Atlantic Broadband and Cogeco Peer 1 were borrowed directly in US dollars.

The following table shows the net investments in foreign operations outstanding at May 31, 2017:

Type of hedge	Notional amount of debt	Aggregate investments	Hedged item
Net investment	US$790 million	US$901.7 million	Net investments in foreign operations in US dollar
N/A	£—	£29.2 million	N/A

The exchange rates used to convert the US dollar currency and British Pound currency into Canadian dollars for the statement of financial position accounts at May 31, 2017 was $1.3500 ($1.3116 at August 31, 2016) per US dollar and $1.7387 ($1.7223 at August 31, 2016) per British Pound. A 10% decrease in the exchange rates of the US dollar and British Pound into Canadian dollars would decrease other comprehensive income by approximately $20.1 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:

	May 31, 2017		August 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Long-term debt	2,726,520	2,848,933	2,860,646	2,975,511

C) CAPITAL MANAGEMENT

At May 31, 2017 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:

	May 31, 2017	August 31, 2016
Net secured indebtedness (1) / adjusted EBITDA (2)	2.0	2.3
Net indebtedness (3) / adjusted EBITDA (2)	2.6	2.9
Adjusted EBITDA (2) / financial expense (2)	7.7	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 May 31, 2017 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.

17. 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. 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. For the three and nine-month periods ended May 31, 2017, management fees paid to Cogeco amounted to $4.8 million and $14.3 million, respectively, compared to $4.6 million and $13.9 million for the same periods of fiscal 2016.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during the nine-month period ended May 31, 2017, the Corporation granted 81,350 (71,650 in 2016) stock options, did not grant any ISUs and granted 12,150 (11,150 in 2016) PSUs to these executive officers as executive officers of Cogeco Communications. During the three and nine-month periods ended May 31, 2017, the Corporation charged Cogeco $163,000 and $465,000 ($162,000 and $442,000 in 2016), $2,000 and $37,000 ($69,000 and $248,000 in 2016) and $177,000 and $483,000 ($135,000 and $364,000 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. 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 Canadian Revolving Facility. During the third quarter of fiscal 2017, the intercompany loan was fully repaid by the Corporation.

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

18. SUBSEQUENT EVENT

On July 10, 2017, Cogeco Communications announced that its subsidiary, Atlantic Broadband, entered into an agreement with Harron Communications, L.P. to acquire substantially all of the assets of its cable systems operating under the MetroCast brand name ("MetroCast") which serves about 120,000 Internet, 76,000 video and 37,000 telephony customers. The transaction valued at US$1.4 billion includes the expected present value of future tax benefits of US$310 million and is subject to customary closing adjustments. This acquisition is expected to be financed through a combination of non-recourse debt financing at Atlantic Broadband and an equity investment by Caisse de Dépôt et Placement du Québec ("CDPQ") in Atlantic Broadband's holding company. The transaction is subject to usual closing conditions, regulatory approvals and other customary conditions. The Corporation expects the transaction to close in January 2018.

CUSTOMER STATISTICS

	May 31, 2017	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
CONSOLIDATED					
Primary service units	2,534,925	2,536,876	2,527,602	2,507,750	2,511,799
Video service customers	967,020	976,997	981,682	982,955	992,409
Internet service customers	1,034,686	1,023,519	1,007,610	987,365	977,538
Telephony service customers	533,219	536,360	538,310	537,430	541,852
CANADA					
Primary service units	1,926,537	1,934,496	1,930,909	1,914,017	1,921,799
Video service customers	729,701	737,975	740,855	739,323	747,257
Penetration as a percentage of homes passed	42.3%	42.9%	43.3%	43.4%	43.9%
Internet service customers	764,350	759,152	749,275	733,701	728,086
Penetration as a percentage of homes passed	44.3%	44.2%	43.8%	43.0%	42.8%
Telephony service customers	432,486	437,369	440,779	440,993	446,456
Penetration as a percentage of homes passed	25.1%	25.5%	25.8%	25.9%	26.3%
UNITED STATES					
Primary service units	608,388	602,380	596,693	593,733	590,000
Video service customers	237,319	239,022	240,827	243,632	245,152
Penetration as a percentage of homes passed	40.1%	40.4%	40.7%	41.2%	41.4%
Internet service customers	270,336	264,367	258,335	253,664	249,452
Penetration as a percentage of homes passed	45.7%	44.7%	43.7%	42.9%	42.1%
Telephony service customers	100,733	98,991	97,531	96,437	95,396
Penetration as a percentage of homes passed	17.0%	16.7%	16.5%	16.3%	16.1%